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## GENERAL

### Future Direction of U.S.-Japan Relations

91CM0071A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 20, 16 Oct 90 pp 16-17

[Article by Feng Zhaokui (7458 2507 1145): "Where Is the U.S.-Japanese Security Treaty Going?"]

[Text] *This "Treaty" is going to play a more prominent economic and political role in the new world order, gradually evolve into a comprehensive treaty of political alliance, and become a new basis for coordinated U.S.-Japanese intervention in world affairs.*

An attention-getting issue in the current rapidly changing international order is how U.S.-Japanese relations are going to change. Moreover, a crucial matter that will reflect this changed relationship is the direction in which the U.S.-Japanese Security Treaty (its full name is the "U.S.-Japanese Joint Cooperation and Security Guarantee Treaty," which is abbreviated below simply as the "Treaty") will go. With the ending of the cold war between the East and the West and the disintegration of the postwar international order based on the system agreed to at the Yalta Conference, people in both the United States and Japan have been calling for the "Treaty" to be either abolished or revised. Some have even suggested that a "U.S.-Japanese Friendship and Cooperation Treaty" be signed as the basis for U.S.-Japanese relations in the new order.

Taking a long-range view of current international changes, and considering the most recent opinions expressed by U.S. and Japanese officials on the "Treaty" issue, I predict that the "Treaty" will move roughly in the following directions:

**I. Even though the issue of whether the "Treaty" should be abolished or revised will be "hotly debated" in the United States and Japan, and become a focus of struggle among Japanese political parties, I predict that not only will the "Treaty" not be abolished, but it is also not likely to be greatly changed in the immediate future.**

Although the world is now becoming less polarized, the order in which the United States and the Soviet Union are adversaries, with Japan siding with the United States, has not changed and is not likely to in the foreseeable future. As Japan has obvious shortcomings in its "overall national strength" (such as limited territory, poor natural resources, and overconcentrated population and industry), it is still dependent on the United States as its most powerful ally. And as the United States has experienced a relative decline in economic power, and its relations with its other Asian allies are becoming gradually less reliable, it is also still dependent on cooperation with Japan, whose economic and technological might are growing steadily. In a report on "International Conditions and Japanese Diplomacy" in late 1989, the Japanese Foreign Ministry pointed out that "today's world is undergoing a great change in which

East-West relations are turning from confrontation to dialogue, and the cold war is ending." The special attention paid to verb forms in this report, that is, its use of the "progressive" instead of the "past" tense, was to emphasize that today's world is just in the process of undergoing a great change, which may still be affected by many unpredictable factors. Japanese Deputy Foreign Minister Kuriyama [2698 1472] said even more clearly in May 1990 that "it cannot yet be said that the cold war is over, it may continue in a transition stage for a very long time... and, although the U.S.-Japanese Security Treaty unfortunately cannot be called a classic, a situation which would require changing or abolishing it has not yet arisen." The major reasons that U.S. and Japanese officials now advocate continued preservation of the "Treaty" unchanged are as follows:

1. As long as the Soviet military capability continues to pose a threat and future changes in the international order, the Soviet transformation in particular, remain unfathomable, the United States and Japan feel that the U.S.-Japanese security guarantee system provided by the "Treaty" will still act as a counterforce against this threat.

2. As long as so many "unstable" factors exist in the Asian-Pacific region, the U.S.-Japanese security guarantee system is still indispensable for safeguarding U.S. and Japanese interests and preserving their standings in the Asian-Pacific region.

3. As the "Treaty" is the pillar of Japan's "political negotiating power" with the Soviet Union, in the dispute over its northern territory in particular, Japan feels that it can only strengthen its negotiating position with the Soviet Union by maintaining its allied relationship with the United States.

4. The existence of the "Treaty" helps to dispel the misgivings of Japan's Asian neighbors about Japanese "military great-nation chauvinism." Stockpol, the commander of the U.S. naval forces stationed in Okinawa, said recently that the "U.S. Navy will have to remain in Okinawa for at least 10 more years, to play a 'stopgap' role in preventing the resurgence of Japanese militarism." Certain Japanese critics and even officials have also expressed similar views on various occasions.

### **II. The United States and Japan will put more emphasis on the "Treaty's" comprehensiveness.**

The current "Treaty" was signed in 1960 to replace the old "U.S.-Japanese Security Treaty" that was signed in 1951. Although the "new Treaty" also includes political and economic provisions in addition to military ones, the frequent U.S.-Japanese bilateral emphasis on only the military aspect of the "provisions" in the age of tense East-West relations, has led to the feeling that it is merely a military treaty. In order to certify the necessity for the continued existence of the "Treaty," the United States and Japan have now begun to emphasize its nonmilitary aspects, and the economic provisions listed in Article 2 in particular. At the U.S.-Japanese summit conference

held in Palm Springs, California, in March 1990, President Bush said that he hoped to expand the current U.S.-Japanese Security Treaty and change it into a more comprehensive treaty of political alliance, while Premier Kaifu said that he hoped to add an economic cooperation clause to the U.S.-Japanese security guarantee system, and that he wanted to enhance Asian-Pacific economic cooperation in particular. And at a budget committee meeting in the Japanese House of Representatives in April 1990, Premier Kaifu reiterated the need to emphasize the "Treaty's" economic provisions, and to give more importance to its political and economic cooperation aspects than to its military significance.

### III. The "Treaty" will further evolve in the direction of an "equal" partnership between the United States and Japan.

In the past, the U.S.-Japanese alliance clearly reflected Japan's subordinate relationship with the United States as to foreign relations in particular and Japan was restricted by the United States in all respects. A Japanese Foreign Ministry spokesman even said that, except for the decision by Prime Minister Eisaku Sato's cabinet to reestablish diplomatic relations with the PRC, all of Japan's major postwar diplomatic actions have had to be approved by the United States. Along with Japan's increasing strength, its struggle to become a "political power," and its increasing aspirations to play a greater role in the international arena, Japan is going to gain more decisionmaking power as an equal partner in U.S.-Japanese relations. Japanese Deputy Foreign Minister Kuriyama said recently that Japan is going to "regain a diplomatic initiative" that is more suited to its standing as an economic power. Japanese diplomacy has recently become very dynamic. For instance, Japan has been attempting to play a role as a mediator of regional issues in Cambodia, has resumed its government loans to the PRC even though the United States has persisted in applying economic sanctions against that country, and has launched diplomatic initiatives in South Asia in an attempt to fill the vacuum left by the decline of U.S. and Soviet influence in that region.

This increasing Japanese diplomatic initiative means that U.S. domination over Japan has weakened. The struggle over domination versus antidomination focused on the "Treaty" is going to continue between the United States and Japan. The United States will try to use the "Treaty" to restrain Japan, so that it does not become too economically, politically, or militarily "aggressive," while Japan will continue to maintain its treaty obligations, but use its economic and technological power as backing to further free itself from U.S. political and military domination.

### IV. The "Treaty" will enhance U.S.-Japanese cooperation on global issues.

As the United States and Japan are economic powers in today's world, the alliance between them is bound to enhance their impact on global issues. When announcing

new administrative objectives to the Japanese Diet in March 1990, Premier Kaifu pointed out that "Japan should play an active role in building the new world order." Thus, he proposed the following foreign relations principles: 1) guaranteed peace and security; 2) respect for freedom and democracy; 3) ensured world prosperity in an open market economy system; 4) a guaranteed humane environment; 5) establishment of stable world relations based on dialogue and harmony. As these reflect Japan's aspiration to become a global "political power," the realization of which depends on cooperation with the United States, Premier Kaifu raised the need to establish a partnership of global cooperation between the United States and Japan. President Bush responded to this positively by pointing out that the United States and Japan should cooperate on a worldwide scale. In summary, certain new features in U.S.-Japanese relations are going to appear in the new world order. Moreover, all of these changes are likely to be reflected in new interpretations of the "Treaty" or partial revisions and additions to it.

## SOUTHEAST ASIA/PACIFIC

### Assessment of Cambodian Situation

91CM0015A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 16, 23 Aug 90 pp 11-12

[Article by Chen Jiehua (7115 3381 5478): "The Cambodian Situation After the Tokyo Conference"]

#### [Text] The Aborted Tokyo Agreement

As soon as the Tokyo agreement on the Cambodian issue was signed early in June (see GUOJI ZHANWANG No. 13), it was highly praised by several countries. However, unexpectedly, Khieu Samphan first of all declared that the Democratic Kampuchea party [DK, also known as the Khmer Rouge] will not be bound by the Tokyo agreement. According to the Tokyo agreement, the Cambodian Supreme National Council [SNC] was to be convened at the latest before the end of July. On 16 June, Sihanouk appointed his delegates to the SNC: Prince Rannariddh, commander of the Armee Nationale Sihanoukiste, Chau Sen Kosal Chum, form National Assembly chairman, and General Yang Senan [2799 2773 1344].

At the same time, Hun Sen wrote a letter to Sihanouk informing him of the six-man delegation of the Phnom Penh regime, which was to be headed by Hun Sen, chairman of the council of ministers, and vice chairman Tie Banh, senior general and minister of defense. However, shortly thereafter, the news was received that Tie Banh had been arrested by Vietnam, flown to Hanoi on a military plane, and was held under arrest in Hanoi. This sheds some doubt on the reliability of the delegation from the Phnom Penh regime.

On the other hand, because Son Sann was not given equal status at the Tokyo conference and participated

merely as a member of Sihanouk's retinue, he was even deprived of the right to sign the agreement. Son Sann therefore proposed after the Tokyo conference to convene another four-party conference with participation of the DK, to better the unfavorable position that he had found himself in during the Tokyo conference. At the same time, Son Sann purposely delayed the appointment of his delegates to the SNC. On 15 June, Sihanouk reproached Son Sann in a public statement that by his delay in appointing delegates he was obstructing the formation of the SNC, and Sihanouk thereby caused an open split between the two parties. At the beginning of July, Sihanouk told Hun Sen in an open letter that the SNC must not be convened in an area controlled by the Phnom Penh regime under occupation by Vietnamese forces, nor in territory occupied by the resistance forces, where the safety of the Phnom Penh delegates could not be guaranteed. It could also not be convened outside of Cambodia, as that would not appear proper. This actually amounted to canceling out any possibility of convening the SNC in due time. In other words, the Tokyo agreement was aborted only one month after it had been signed. In the end, the international community must now find another way to resolve the deadlock.

#### **Sudden About-Face by the United States**

In the morning of 18 July, U.S. Secretary of State Baker suddenly announced in Paris a new Cambodia policy: 1) The United States withdraws its support for seating the coalition government of the Cambodian resistance forces in the United Nations. 2) The United States intends to conduct direct talks with Vietnam. 3) The United States will prevent a return to power of the DK.

The reason for the U.S. reversal of policy is very clear, namely to have Sihanouk and the Son Sann party relinquish their alliance with the DK and to rather form an alliance with the Phnom Penh regime, and also, in the process of doing so, bring about an improvement in U.S.-Vietnam relations. The essence of it is: "Changing from the former antagonism against Vietnam-Phnom Penh and from efforts to isolate them to now taking an antagonistic stand against the DK and trying to isolate this party." Baker's statement has had a resounding effect in changing the balance of forces in the international community with regard to the Cambodian issue.

During the 11 years since Vietnam invaded Cambodia, the international community, the Western countries of the United States, Europe, and Japan, as well as China in the East and most of the Third World countries, have all supported the tripartite coalition of anti-Vietnam forces, headed by Sihanouk; and the Vietnam-Phnom Penh regime had indeed been extremely isolated internationally. However, now all the Western countries, such as Great Britain, France, Japan, Canada, Australia, and New Zealand, have rushed to support the new U.S. policy, and some countries, such as Canada and Australia, have also adopted the same Cambodia policy as the United States. In choosing between the two regimes, the DK regime and the Phnom Penh regime, the West

has definitely declared its rejection of the DK regime and its preference for the Phnom Penh regime.

Vietnam and the Phnom Penh regime have been overjoyed and have expressed their "warm welcome" for the Baker statement.

However, there have also been new developments within the tripartite anti-Vietnam coalition. A deep split among the three parties had already occurred at the Tokyo conference: The DK had been rebuffed, Sihanouk had shown willingness to compromise and has held a "two-regime talk" with Phnom Penh, and Son Sann, degraded to a mere "member of the retinue" of Sihanouk, had been highly dissatisfied. However, after Baker's statement of the new U.S. policy, the three parties that compose the democratic Cambodian resistance forces, realized the danger of being deprived of their common interests in the international community. This motivated Prime Minister Son Sann to make a statement in Paris, on the same day as the Baker statement came out, in which he severely criticized the United States for changing its Cambodia policy, and in which he called on the tripartite Cambodian resistance forces to convene an emergency meeting as soon as possible to discuss the U.S. about-face in its Cambodia policy.

The next day, Sihanouk too made a strongly worded statement in Korea, in which he called the new U.S. policy "an extremely serious unjust act." On 21 July, Sihanouk, furthermore, made known his fundamental stand: 1) The SNC cannot and must not be convened without participation of the DK, and on the other hand without participation of the DK, the SNC would not represent all of Cambodia. 2) The SNC cannot be constituted as long as any part of Cambodia is still occupied by Vietnamese military forces; 3) The place for convening the SNC cannot be in an area of Cambodia that is not yet liberated, nor in a foreign country. He thus directly rescinded the "Tokyo agreement," which he had signed in his own name with Hun Sen only one month before.

Now, the three coalition parties have basically agreed to hold a conference at the end of August in Beijing. As one can say that the Tokyo conference was the cause for the tripartite forces to split apart, one can now also say that Baker's new policy statement in Paris miraculously reunited the tripartite coalition forces.

#### **With a Confusing Display of Plans, Crucial Problems Remain Unresolved**

While the international scene is presently undergoing great changes and great readjustments, the Cambodian issue is undoubtedly an important part of the readjustment of the order in Asia, conducted against a complex international background. The major political forces of the world are therefore naturally hoping that they can utilize their political positions to influence the adjustment of the Indochina order and to bring Indochina into the fold of their own system.

The United States intends to be the maestro who directs the "trilogy" of the Cambodian peace talks. This means the United States intends to enlist the help of the UN Security Council, and then, in concert with Great Britain, France, and the Soviet Union, to set up a new order in Indochina. Through contacts with the Association of Southeast Asian Nations [ASEAN], it will also seek ASEAN support to strengthen its own position in Indochina, and through direct talks with Vietnam, seek to become the mediator whose authority will be accepted by all parties concerned, the ultimate aim being to bring Cambodia into the Western system.

Although the Soviet influence in Indochina has declined greatly, the Soviet Union still plans to use its position of power in Indochina to achieve a situation in which "Soviet-U.S. cooperation will set up a new international order."

As to Japan, it seeks to show in the course of the resolution of the Cambodian dispute that Japan is fully capable of participating in international affairs, and it is in this way that Japan is trying to enhance its international political status.

As to ASEAN, which has all along had a decisive influence in Cambodia, it hopes to play a leading role in the solution of an issue that has arisen in its very own territory, and also hopes to peacefully resolve the problem as quickly as possible, hoping to convert "battleground into marketplace," and to bring Indochina into the "East Asian system of the international division of labor," which has already come into existence. Shortly before the opening of the 23d ASEAN foreign ministers meeting, held in Jakarta on 24 July, ASEAN issued a statement in which it criticized the United States for abandoning its support of the coalition government of Cambodia and for "complicating the process of seeking peace." This induced U.S. Secretary of State Baker to fly quickly to Jakarta to smooth things out and provide explanations. At the same time, Japan, Canada, Australia, New Zealand, France, and the European Community also sent their foreign ministers or delegates to take part in the conference to demonstrate their strong interest in the Cambodian issue.

All parties concerned have by now shown their hand with regard to the various plans for a political solution of the Cambodian issue.

A. As to the form and shape of the talks: At the past few conferences, all four parties fighting in Cambodia had participated on an equal basis. Now Phnom Penh, Vietnam, and Japan propose a "talk between two governments," that is, a talk between Phnom Penh and the coalition government of the anti-Vietnam resistance forces, while the DK and Son Sann may participate only as part of Sihanouk's retinue. The UN Security Council proposes a "five plus four" talk, that is, to include the five standing members of the Security Council, plus the four Cambodian combatant parties.

B. As to the organization of the SNC: The Phnom Penh government demands that the "two governments" each be allotted an equal number of seats in the SNC, that is, that Phnom Penh have six seats, Sihanouk three seats, and Son Sann three seats, and that the DK force be excluded. Although Hung Sen later also agreed to allow the DK to participate in the SNC, he suggested that all resistance forces be considered together as one government, where the DK may have the right to veto only in the internal discussions of that group, but may not have the right to veto in "discussions between the two governments." In the SNC, "only Sihanouk and Hung Sen shall have mutual veto rights." Obviously, this move by Hung Sen would not only deprive Son Sann and the DK of any power, but would also transform the contradictions that now exist between the anti-Vietnam resistance forces and Phnom Penh into internal contradictions within the tripartite resistance forces, thus sowing discord among the three parties of the resistance force.

The DK therefore insists on an equal number of seats for each of the four parties in order to have the SNC constitute a coalition government of all the four parties involved.

Sihanouk and Son Sann have conflicting attitudes. On the one hand they realize that no political solution can be achieved without the participation of the DK, but at the same time they are fearful of the DK. In a recent speech given in Poland, Son Sann publicly stated, "our number-one enemy is Vietnam-Phnom Penh, our number-two enemy is the Khmer Rouge (the DK)." The policy of Sihanouk and Son Sann is, therefore, to demand that the SNC be organized by all the four parties concerned, i.e., with the participation of the DK, but that the DK be prevented in any future regime from occupying a dominant position.

The present policy of the United States is moving ever closer to the Vietnam-Phnom Penh policy, as it proposes to exclude the DK from any future SNC.

The stand taken by the ASEAN countries is very close to that of Sihanouk and Son Sann. At the Jakarta conference, which has just been concluded, the ASEAN foreign ministers have therefore come up with a compromise plan: "The SNC shall be composed of outstanding personalities representing various political viewpoints and enjoying the respect of the Cambodian people." This plan presents a new alternative for a compromise solution among the parties concerned by replacing the "party" factor with a "personality" factor.

C. As to the chairman of the SNC: Hung Sen has set forth three proposals. 1) Sihanouk to assume the chairmanship, but "on condition that he must not be under the strong influence of the Khmer Rouge." 2) Cochairmanship of Sihanouk and Hung Sen to direct said SNC. 3) Chairmanship to rotate between the Sihanouk and the Phnom Penh governments.

D. As to the role of the SNC during the transitional period: Three plans have been suggested.



1) Invest it with legislative and executive powers. 2) Have it merely serve as a symbol of national unity and sovereignty, and have the United Nations exercise executive powers (this plan is supported by the United States, Great Britain, and France). 3) Hung Sen's proposal is, "it must serve as symbol of Cambodian sovereignty, but must not be the executive organ of state power. State power shall be in the hands of the ruling government, that is, the Phnom Penh government, his intention being to legalize the Phnom Penh government.

There is still a reserve plan, namely that as long as it is not yet possible to constitute the SNC, all administration shall be in the hands of the UN Security Council, or that the SNC shall be a "five plus two" council, that is, five delegates, one each of the five members of the Security Council, and two delegates, one each of the two Cambodian governments. The "five plus two" plan has the approval of the Soviet Union, Vietnam, and Phnom Penh.

E. How to deal with the seat in the United Nations: Phnom Penh proposes that once the SNC has been constituted, it shall occupy the UN seat to represent Cambodia. However, the tripartite resistance coalition is firmly opposed. Sihanouk issued a statement on 15 June to the effect that after the constitution of the SNC, the UN seat should continue to be occupied by the Cambodian coalition government. The SNC shall not be empowered to replace it in occupying the UN seat.

The Western countries, headed by the United States, propose that before a legitimate government has come into existence, the Cambodian seat at the United Nations shall be kept vacant. However, ASEAN and most of the Third World countries still support the resistance forces. It is for this reason that the question of the Cambodian seat will again become the subject of heated debate at this year's UN General Assembly.

F. As to the DK force: Phnom Penh definitely demands their exclusion, while Sihanouk and Son Sann have mixed feelings about the DK. On the one hand, they hope to use the strength of the DK in their fight against Phnom Penh, but on the other hand, they worry about a quick resurgence of DK strength, which will then again wield all power. Prior to the Tokyo conference, the fear of DK predominated in the minds of Sihanouk and Son Sann. After the Tokyo conference, especially after the U.S. policy about-face, Sihanouk and Son Sann showed a great change in their attitudes toward the DK, and tripartite cooperation was greatly enhanced, because the tripartite coalition was facing a common threat of possibly losing their UN seat. Son Sann was highly dissatisfied with his position of being merely a member of the Sihanouk retinue when participating in the SNC and has therefore shifted toward a closer connection with the DK; he is also demanding that a new conference be convened that would rearrange the relations between the four parties.

Baker had clearly proclaimed that the United States will no longer support the coalition government of the anti-Vietnam resistance forces, in particular it will no longer support the DK force. The ASEAN countries have reiterated in their statement at the 23d foreign ministers meeting that they will not have a replay of the 1975-1978 situation and emphasized that they will not permit any one party to seize or maintain state power by military force. It is very obvious that these words are aimed particularly against the DK, and ASEAN is thus taking a stand that is identical with that of the United States.

As things look now, all Western countries have a very negative attitude toward the DK and propose to restrict the DK to the greatest extent, even to directly exclude the DK forces altogether, therefore coming ever closer to the position taken by Vietnam and Phnom Penh.

In sum, although Cambodian peace talks have gotten under way, it is still a long road toward the achievement of a genuine national reconciliation and restoration of domestic peace.

## NEAR EAST/SOUTH ASIA

### Analysis of Gulf Crisis Policy, Interests

91CM0034A Hong Kong MING PAO YUE KAN  
[MING PAO MONTHLY] in Chinese No 10, Oct 90  
pp 16-18

[Article by Lin Nien (2651 1819): "The Middle Eastern Crisis and Beijing's Diplomatic Interests"]

[Text] Li Peng, in his report to the 15th Session of the Standing Committee of the Seventh National People's Congress said, "In the past year China's diplomatic activity has been rather brisk, and has made some important breakthroughs and attracted widespread attention in international society."

This probably is the most self-congratulatory statement that Li Peng has made since he has been premier. Chinese Communist diplomacy recently truly has achieved some successes, manifested mainly in the establishment of diplomatic relations with Saudi Arabia and the restoration of relations with Indonesia, as well as the use of the Cambodia issue and the Middle East crisis to improve relations with the United States. But these "breakthroughs" and successes have certainly not been totally ideal. For example, in restoring relations with China, Indonesia still called China by the derogatory "Chih-na [2388 6719]". And, in the Middle East crisis, some double-dealing actions also damaged its big power image. But Beijing truly achieved great benefit from the Middle East crisis.

After Iraq invaded and annexed Kuwait, Beijing adopted a two-sided policy. On the one hand, in the UN Security Council it voted in favor of the resolution sanctioning

Iraq. On the other hand, it also did its utmost not to offend Iraq. There were two concrete examples of this two-sided policy.

#### **The Two-Sided Policy Produced Many Good Results**

On 25 August, when the UN Security Council passed Resolution No. 655 authorizing the countries with navies deployed in the Gulf region to take punitive measures, Beijing's representative to the United Nations, Li Daoyu [2621 6670 6276], proposed that the wording "use minimum force" be changed to "take measures suited to the actual situation," and it was passed. "Measures suited to the actual situation" should include military measures. It could even be said that if Iraq used chemical weapons, U.S. retaliation with nuclear weapons could also be called a "suitable measure." So, the U.S. and the British ambassadors to the United Nations felt that "suitable measures" included military measures. But, after the vote, Li Daoyu explained, "This definitely does not include military measures."

In addition, Beijing supported Security Council Resolution No. 661, sanctioning Iraq. But, when Iraqi Vice Premier Ramadan visited Beijing, to show good will toward Iraq, Li Jinhua [2621 6855 5478], Beijing Foreign Ministry spokesman, in a press conference particularly emphasized "the embargo on Iraq does not include articles for purely medical purposes and the supply of food under humanitarian conditions." But Beijing by no means suggested how we arrive at "pure purposes" or how we ensure that Iraq cannot supply the medical articles and the food to the armed forces to carry out aggression. Under Saddam Husayn's dictatorship, once these materials are imported into Iraq, can the common people benefit from them?

Beijing's foreign policy toward the Middle East crisis can be summarized with two basic principles: 1) Opposition to Iraq's invasion and annexation of Kuwait, and 2) opposition to big power involvement in the Persian Gulf crisis. The first "opposition" supports the stance of the United States and pro-Western Arab countries. The second "opposition" supports the stance of Iraq and the anti-Western Arab countries. Because of this two-sided policy, Beijing's international position suddenly improved and both contenders in the Middle East crisis sent high officials to Beijing one after another, to win over Beijing. It could be called "the four barbarian tribes coming to court."

#### **"The Four Barbarian Tribes Coming to Court" and Casting Off Isolation**

On 22 August, Li Peng met with [Al] Sabah, the victim Kuwait's deputy prime minister and foreign minister, and Qian Qichen held talks with him. On 24 August Li Peng also met with Marwan [al] Kashim, the deputy prime minister and foreign minister of the Hashemite Kingdom of Jordan, which is deeply troubled by the Middle East crisis and is striving to maintain its neutrality. Qian Qichen also exchanged views with him.

The aggressor Iraq early on dispatched Adnan Daud Sulayman, Arab Baath Socialist Party Regional Command member and chairman of the Iraqi Organization of Friendship, Peace, and Solidarity, to visit Beijing. On 16 August he met with Zhu Liang [2612 5328], director of the International Liaison Department of the Chinese Communist Central Committee. And Iraqi Vice Premier Ramadan, on his visit to Beijing, in addition to meeting with Vice Premier Wu Xueqian on 6 September to talk about foreign policy, also met with Li Peng on 7 September.

In addition, Qian Qichen met with Soviet Foreign Minister Shevardnadze in Harbin on 1 September. Besides talking about bilateral relations, they mainly exchanged ideas on the Persian Gulf situation.

But nothing was more momentous than former U.S. Secretary of State Kissinger's trip to Beijing. While Kissinger was in Beijing he met with Vice Premier Wu Xueqian, Politburo Standing Committee member Li Ruihuan, Premier Li Peng, President Yang Shangkun, and General Secretary Jiang Zemin. "Old friend" Rong Yiren, vice chairman of the Standing Committee of the National People's Congress, also came out to see Kissinger.

In his talks with Jiang Zemin, Kissinger said, "Sino-American relations are obviously very important in the present new international situation. My current trip to China is to promote the restoration and development of Sino-American relations."

What is "the present new international situation?" Certainly it refers to the Middle East situation. The German WELT AM SONNTAG [THE WORLD ON SUNDAY] on 19 August published a special interview with Kissinger. Kissinger thinks that if sanctions and diplomatic measures are not able to resolve the Kuwaiti problem, the United States should destroy Iraq's most important military targets. Kissinger took a dovish stance on Beijing's "4 June" incident. Yet on the Middle East situation he is clearly hawkish. This is related to his Jewish lineage. In view of his good relations with Beijing, sending him to Beijing to intercede for Beijing's all-out support of Washington, including taking military action against Iraq, is understandable.

High-ranking Beijing officials gave Kissinger a grand reception, and when Iraqi Vice Premier Ramadan visited Beijing, Beijing officials claimed that they did not know what his objective in coming was, a completely different attitude. But, Beijing certainly is not responding to every U.S. plea. They know their own worth full well, and they know that this is an optimum opportunity to cast off the diplomatic isolation [they have experienced] since "4 June." So, in his first meeting with Kissinger, Wu Xueqian clearly told Kissinger, "The Chinese Government has attached great importance to Sino-American relations all along, and still believes that China and the United States share extensive common interests. China is putting forth a great deal of effort to

restore and improve bilateral relations. We hope that both sides will work together and we hope that the U.S. side will take somewhat bigger and quicker steps and adopt realistic measures to speed up the development of bilateral relations." When other Chinese Communist leaders met Kissinger, they also all indicated that they valued Sino-American relations. When Li Peng talked with Kissinger, the Chinese Communist media did not report that Li Peng opposed big power involvement in the Persian Gulf crisis. So, if the United States agrees to give Beijing greater benefits, Beijing could further abandon its Third World ally Iraq.

Actually, Beijing's claim that big power involvement in the Persian Gulf crisis could make the situation more complicated does not have a leg to stand on, because if Iraq is allowed to control the entire Arab world politically, economically, and militarily, that would be meddling not only in the Middle East, but in the whole world.

At the same time that Kissinger was visiting Beijing, the Israeli Communist Party also sent a three-member delegation led by Khenin, secretary of the Central Committee and Politburo member, to visit Beijing and conduct talks with Wu Xueqian. Wu Xueqian is concerned mainly with foreign affairs, not party affairs. So, the significance of these talks was on "Israel," not on the "Communist Party."

In addition, Beijing's contacts with other Western nations are also being improved.

Tian Zengpei, Chinese Communist deputy foreign minister, visited Paris and talked with [Francois] Scheer, French Foreign Ministry secretary general, on 7 September. This was the first contact between high-level Chinese and French officials since last "4 June," and is believed to be the beginning of a relaxation in the two countries' tense relations.

And, as early as mid-July England sent [Francis] Maude of the Foreign and Commonwealth Office to Beijing. Although on the surface they were talking about Hong Kong people's right to reside in England, they really had to involve normalization of the two countries' relations.

The Italian parliamentary delegation led by [Vincenzo] Scotti, chairman of the Christian Democratic group in Italy's Chamber of Deputies also was the highest ranking Italian delegation to go to Beijing since "4 June." Scotti even said, "The Italian Government believes that, in the present international situation, Italy should and must restore economic and political relations with China, and move the entire European Community to restore relations with China. This is the most important matter facing us."

Although New Zealand indicates that it is still concerned about human rights on the Chinese mainland, [Jim] Sutton, its minister of agriculture and forestry, also visited Beijing and met Li Peng on 10 September. At the meeting Li Peng indicated that, despite the fact that

Sino-New Zealand bilateral relations encountered some difficulty in the previous period, this was only a brief interlude.

After the Chinese Communist foreign ministry spokesman indicated on 6 September that the Chinese Government opposed the Dalai Lama's going to other countries in any capacity to conduct political activities, Canadian Prime Minister Mulroney formally refused to meet with the Dalai Lama on his visit to Canada and would not permit him to address Parliament. This was to show good will toward Beijing, because he did not want to harm Sino-Canadian trade interests.

So, people in Japanese diplomatic and banking circles indicated that, because the Chinese Communists had shown cooperation in the Gulf crisis, after the Asian Games, Western nations could relax economic sanctions and the World Bank would fully restore Beijing's loans, and business people and banks followed one after the other, especially Japanese banks.

U.S. and Western nations' petroleum profits are clearly more important than human rights principles. Iraqi dictator Saddam Husayn's aggression actually aided the rush on the Chinese Communists.

#### What Is the Reason for Leaning Toward the West?

Of course, with the big Chinese Communist Party totally controlling this large country of 1.1 billion people, they should be undaunted by the sanctions of Western nations. Beijing in a little over a year has used all of its skill to absolve itself of the sanctions of Western nations, and it was not at all because it felt particularly bad about being isolated, but because Beijing needs the loans of Western nations.

In the 1950's the Chinese Communists relied on the enthusiasm of the people to develop the economy. But, after the Great Leap Forward and the Cultural Revolution, the people's enthusiasm is spent and has even become a chronic destructive slowdown. After the conclusion of the Cultural Revolution, the Chinese Communists used reform and opening up to stimulate and develop the economy, and they made some achievement. But after "4 June," the people no longer have enthusiasm, and reform also has stopped. So, the only thing that could promote economic development is funds. And, the Chinese Government lacks these funds, and Third World countries and the socialist camp do not have them. They can only rely on Western nations. So, restoring normal relations with Western nations has become the chief diplomatic task of the Chinese Communists. The problem is that I am afraid that it is not a long-term policy to rely on the loans of Western nations as a transfusion when you yourself lack regenerative capacity. Li Peng can hail the diplomatic victories, but if he turns around and looks at the economic problems before his eyes, how long can he maintain the smile?

**Response to Sanctions, Embargo Imposed on Iraq**  
 91CM0070A Hong Kong LIAOWANG [OUTLOOK]  
 OVERSEAS EDITION in Chinese No 43, 22 Oct 90  
 p 27

[Article by Li Sizhi (2621 1835 3112): "Struggle Between Proponents and Opponents of the Embargo in the Gulf"]

[Text] (By special wire from Cairo) Iraq's aggression against Kuwait has evoked strong reaction in the international community. The UN Security Council has passed several resolutions in condemnation and furthermore imposed economic sanctions against Iraq to be effective by sea, land, and air. Their purpose is to force Iraq to withdraw from Kuwait. For two months, there has been a fierce struggle going on between proponents and opponents of the sanctions and of the embargo, and the outcome of this struggle will be decisive for either peace or war.

Oil exports are as much as 90 percent of Iraq's source of revenue; they yielded an annual income of \$20 billion. Oil exports through the Turkish and Saudi Arabian pipelines accounted for two-thirds of Iraqi oil exports. After Iraq seized Kuwait, the flow of oil through these pipelines was stopped. To break the embargo, Iraq most reluctantly made up with Iran and concluded peace, acknowledging to the frontiers agreed upon between the two countries in the Algiers agreement of 1975 and completely accepting all Iranian conditions. Iraq's purpose in making peace with Iran was not only to avoid a war on two fronts, to allow the transfer of 30 divisions of Iraqi troops from the eastern front to strengthen the southern front, and to consolidate its occupation of Kuwait, but also to break the embargo on the eastern front through Iran. Subsequently, Iraq's foreign minister Aziz visited Tehran and asked Iran to allow the daily transshipment of 500,000 barrels of Iraqi crude oil or to accept in barter 200,000 barrels of Iraqi crude oil daily.

Although Iran has condemned Iraq for its seizure of Kuwait, it is also opposed to the entry of foreign troops into the Gulf region. Iran's attitude will be critical for the effectiveness of the sanctions. For this reason, U.S. Secretary of State Baker visited Syria in the middle of September to have Syria dissuade Iran from taking any ill-advised action.

On 22 September, Syrian President Assad visited Iran and had four days of negotiations with Iranian leaders. He received Iran's assurances that Iran will not export Iraqi oil or buy oil from Iraq. Iran repeatedly stated that it will implement the sanctions imposed by the United Nations against Iraq, and, furthermore, arrested several scores of speculators and profiteers who intended to smuggle grain into Iraq. It appears that Iraq's tactics of breaking through the eastern front are beset with great difficulties.

Iraq formerly exported one-third of its oil through its southern port and the Persian Gulf. After imposition of the sanctions, Iraqi tankers have at least twice ignored

warning shots by U.S. naval vessels, transported oil through the Persian Gulf, and unloaded it at the Red Sea port of Aden. Besides, Iraq has to import about three-quarters of its grain supplies from abroad. In the beginning, large amounts of commodities were shipped to the port of Aqaba in Jordan at the tip of the Red Sea [as published] and thence by land in a continuous stream into Iraq. Pursuant to the UN Security Council resolution of 25 August on the sea embargo against Iraq, Western naval vessels stopped and searched ships sailing for the Gulf as to whether they carried contraband. It is reported that as of the last week of September, the more than 80 Western naval vessels have stopped over 1,500 ships in the Persian Gulf and in the Red Sea and that they searched over 100 freighters.

Libya is opposed to sanctions against Iraq, and it is said that Libyan planes in daily flights had transported commodities into Iraq. Besides, there had also been people transporting commodities to Iraq from Yemen and Lebanon. After the sanctions prohibiting shipments by sea had been in place for one month, the UN Security Council on 25 September passed a resolution imposing an embargo on shipments by air. It was then that the embargo on shipments to Iraq by land, sea, and air was complete.

Iraq adopted a variety of countermeasures. President Saddam asked his people to tighten their belts, practice great economy, make long-range preparations, and later ordered farmers to sow 80 percent of their land to wheat, also exempting peasants from military service.

Iraq also proclaimed strict punitive measures against hoarders and speculators, threatening them with execution. Later, a law was passed which proclaimed that merchants who engage in speculative buying up of commodities or who force up commodity prices may be sentenced to up to 15 years in prison. At the end of August, Iraq announced rationing of grain, each person to receive six kilograms of wheat flour, one kilogram of rice, one kilogram of grain, and half a kilogram of edible oil per month. Later, Iraq announced rationing for foreigners living in Iraq and also rationing of bread supplies.

The interdiction of oil shipments is causing economic difficulties for Iraq and is causing food shortages. At the end of August, Iraq proposed to the Philippines to barter oil against 50,000 tons of sugar, but the proposal was rejected. To gain sympathy and support, Iraq announced on 10 September that it would ship oil free of charge to any of the poor countries of the Third World, and later also proposed to ship out \$2 billion worth of oil through the Turkish pipeline to pay for the \$700 million it owes Turkey. Turkey and some Third World countries have already expressed their rejection of the proposals.

It is estimated that the wheat supplies stored by Iraq will last one or two months, rice supplies will last two or three months, and that, with the ample harvest this year,



Iraq can hold out for several months or up to half a year as far as food grains are concerned.

However, the effects of the sanctions will grow as time goes on. Because it cannot export oil, Iraq's daily production of crude oil has been reduced from 3.1 million barrels in July to 400,000 barrels. In oil revenue alone, Iraq lost \$2.1 billion of foreign exchange in August.

Furthermore, Iraq had in the past relied on the Soviet Union and France for supplies of arms and ammunition. Both the Soviet Union and France have declared that they will observe the embargo. France has dispatched naval units and an overseas army group to be stationed in the Gulf area. The Soviet Union has declared that it will dispatch troops if the United Nations orders military sanctions against Iraq. It is believed that the attitude of both the Soviet Union and France and the discontinuation of arms and spare-part supplies will have a serious effect on the morale of the Iraqi troops and on its fighting strength.

The blockade and the sanctions appear to be very strict, but eventually there will be holes. It is reported that every day 1,000 to 1,500 trucks fully loaded with meat

and grain depart from the southeastern corner of Turkey for Iran, but then turn off to Iraq. In Jordan, one truck fully loaded with commodities departs for Iraq every minute. Jordanian Queen Noor said on 4 October that, because of its economic difficulties, Jordan is compelled to import Iraqi oil.

People believe that, after experiencing eight years of war in the Gulf region, the ability of Iraq's war economy to withstand the sanctions must not be underestimated.

U.S. President Bush has repeatedly stated that if the sanctions fail, the United States will pursue a course of action other than economic sanctions and diplomatic negotiations.

It appears that, with the gradual completion of military deployment in the Gulf region by the United States and other Western countries, the danger of a military flareup has increased. Middle Eastern analysts believe that only with an effective embargo imposed by the sanctions, with Iraq finding itself compelled to compromise, and both sides seeking a compromise solution, can a change possibly occur in this situation.

**Peng Zhen Calls for Continued Class Struggle**

91CM0061A Hong Kong CHAO LIU [TIDE]  
in Chinese No 44, 15 Oct 90 pp 9-11

[Article by Lin Yang (2651 2254): "Beijing Cold Snap Lingers; Peng Zhen Advocates Class Struggle"]

[Text] The political relaxation that Western "China hands" expected to come about after the Asian Games closed on 7 October in Beijing is not going to happen. The political situation in the near future will be characterized by retaliation for the 1989 democracy movement and "criticism of liberalization" in the intellectual community.

From the spring of this year through the opening ceremonies of the Asian Games, media in the West, Japan, and Hong Kong had been saying that the Chinese Communists would relax "criticism of liberalization" around the time of the Asian Games, and that they would release such well-known democracy activists as Wang Dan and Wang Ruowang from prison. In actual fact, retaliation against intellectuals and "criticism of liberalization" have not abated, and control over ideology by the Chinese Communist authorities is being tightened rather than loosened.

**Peng Zhen Will Not Be Left Out; He Is Interfering Everywhere and Railing at People**

Aging Chinese Communist hardliners such as Peng Zhen, Wang Zhen, Bo Yibo, Chen Pixian [7315 0012 7359], Hu Qiaomu, and Deng Liqun have stirred to action, meddling in efforts to carry out retaliation and "criticism of liberalization" in the intellectual community. The 88-year-old Peng Zhen has actually unearthed the political incantations of Mao Zedong in order to whip up and encourage class struggle.

Not long ago he supported a discussion meeting held by the "Spirit of Yanan Research Committee." The main theme of this meeting was the need to strengthen class struggle and firmly entrench the spirit of socialism.

Although Peng Zhen acknowledged in his speech at the meeting that socialism had suffered "serious defeats" throughout the world, he nevertheless asked people not to believe the "clamor" about the impending collapse of socialism. He borrowed from the phraseology of Mao Zedong in boasting of socialism's "bright future," saying that it was inevitable that communism would replace capitalism, and that it will not be communism, but imperialism, that collapses in the end.

When Peng Zhen speaks he has a penchant for implying "criticism of the elm by wagging his finger at the mulberry." These words of his were directed at the elite in intellectual circles and reformist cadres who advocate a reevaluation of socialism and contemporary capitalism. These latter people feel that the flaws of the socialist system have resulted in backward forces of production, and that contemporary capitalism, rather than entering into a "decadent stage" as Lenin had

predicted, has actually demonstrated considerable staying power, and its forces of production have developed greatly. Such intellectuals as Su Shaozhi [5685 4801 2535] and Zhang Xianyang [1728 7359 2254] hold this point of view, as do such high-level reformist cadres as Gong Yuzhi [7895 5148 0037], Li Rui [2621 6904], Tong Dalin [4547 1129 2651], Wu Mingyu [0702 2494 3842], and Ren Zhongyi [0117 0112 1138].

**Turning a Peaceful Presentation of Demands Into Class Struggle**

Peng Zhen also called for an expansion of retaliation and "criticism of liberalization." He termed last year's peaceful presentation of demands by the people as "unrest" and "counterrevolutionary rebellion," and said that it was a form of capitalist "peaceful evolution." He said that "liberalization" and "peaceful evolution" are linked together and complement one another. He defined "liberalization" as the reactionary forces and ideologies opposed to the leadership of the Communist Party, Marxism-Leninism-Mao Zedong Thought, the dictatorship of the proletariat, and the socialist system.

*Peng Zhen stated with zeal that the struggle between capitalism and socialism is the most vivid demonstration of class struggle in the current period, and that this struggle will continue for a long time.* This is an objective fact. There is nothing remarkable about it.

He was actually surprised that some cadres were "not sufficiently on guard" against this phenomenon.

Peng Zhen's idea about a long-term class struggle is a rehash of Mao Zedong's "theory of continuing revolution." The key aspect of both is the fact that class struggle is whipped up arbitrarily by the authorities in order to round up and brand as class enemies all those who seek freedom, the rule of law, democracy, and human rights. High-pressure tactics are being used to preserve one-party dictatorship and to prevent an East European-style upsurge of democratic reforms from completely destroying the people's faith in the Chinese Communists.

This speech by Peng Zhen has recently been classified by the Propaganda Department, which is controlled by Chinese Communist hardliners, as "study material" in the campaign to "criticize liberalization," and it has been distributed to midlevel local cadres at level-17 or above for discussion and study.

**Wang Zhen and Peng Zhen Intervene in the Intellectual Community, Push a Leftist Line**

Another aging hardliner, Wang Zhen (aged 83), has recently been working for the same cause as Peng Zhen. He wrote a letter to all middle school, elementary school, and preschool teachers throughout the mainland in which he described the 1989 democracy movement as "a plot by hostile forces both within China and abroad to carry out a strategy of 'peaceful evolution'"

against China." This letter has also been classified as "study material" to be distributed by the Central Propaganda Department.

Peng Zhen is a leader of the Chinese Communist hardliners. He was a member of the Politburo as far back as 1945, which is longer than either Deng Xiaoping or Li Xiannian have been members. He has continually attacked Hu Yaobang and Zhao Ziyang in recent years, and in his "8 April Speech" in 1987, he took off the gloves completely in condemning Hu Yaobang, saying that he "completely did not adhere to the four cardinal principles."

In the past, Peng Zhen has served as a member of the Politburo, secretary of the Central Political and Law Committee, and chairman of the National People's Congress. He has not held any party or government posts for the last two years, but he has still been very involved this year. Although he originally had no connection with literature and art, he has turned his attention to them in a big way. He has become the honorary director of the "Spirit of Yanan Research Committee," and has continually gotten involved in daily affairs in the literary and artistic community. When the Central Propaganda Department awarded the first "Literature of the Masses Awards," such members of the "Green and Red Gangs" as Hao Ran [3185 3544] received awards. The key hardliners Wang Zhen and Bo Yibo both gave speeches at the awards ceremony, and Peng Zhen sent a letter of greeting which reaffirmed the leadership role of the *Yanan Talks on Literature and Art*.

#### **The Shijiazhuang Conference Expands Criticism of Liberalization**

Under the influence of such hardliners as Peng, Wang, Bo, and Hu, and at the instructions of the current authorities, the Central Propaganda Department (which is under the control of such hardline cadres as Wang Renzhi, He Jingzhi, and Xu Weicheng [1776 1919 6134]) recently held the Shijiazhuang Conference and the National Conference of Cadres for Theory and Education Work in order to "promote study of socialist theory and deepen education and struggle against bourgeois liberalization."

Wang Renzhi's policy speech called upon every locality to "deepen" the "criticism of liberalization." He said it was necessary not only to criticize the "reactionary outlook" of "liberalization," but also to carry out a thorough rebuttal against the ideological bases for "liberalization."

The deputy director of propaganda, Nie Dajiang [5119 1129 3068], released a report entitled "Carrying Out a Thorough Program of Study and Education on the Study of Socialist Theory Is an Important Task on the Current Ideological and Theoretical Battlefront."

#### **GUANGMING RIBAO Holds a Conference on "Keeping the Marxist Faith"**

Under the orchestration of the Central Propaganda Department, the far left party newspaper GUANGMING RIBAO also recently held talks on upholding Marxism. The participants were all members of the Green and Red Gangs who have been very active since the 4 June incident, including Ru Xin [3067 0207], deputy director of the Chinese Academy of Social Sciences; Luo Guojie [5012 0948 2638], vice president of Chinese People's University in Beijing; and Zhou Longbin [0719 7127 3453], director of the theory department at GUANGMING RIBAO.

*The main theme of the talks centered on criticism of Zhao Ziyang's "neglect of politics" and "non-Marxism" in the intellectual community. Ru Xin, who has thrown his entire lot in with men of the "blood and iron policy" group such as Li Peng and Hu Qiaomu, fiercely attacked the intellectual community, saying that there are people who, under the rubric of "progress," negate or distort some fundamental principles of Marxism, and that some people even argue that these principles must be rejected before there can be progress. He echoed the line of the "blood and iron policy" group regarding "peaceful evolution," criticizing intellectuals for uncritical, wholesale borrowing from the bourgeoisie.*

Zhou Longbin attacked Zhao Ziyang for turning a blind eye to those intellectuals who advocate privatization.

#### **The Green and Red Gangs Bare Their Claws To Purge the Reformist Faction**

*At present, in China's political as well literary and artistic circles, there are extreme leftists who have always followed slavishly whatever line has been put forward by the Chinese Communist authorities (the Red Gang), and extreme leftists who served as hit men for the Jiang Qing clique during the Cultural Revolution (the Green Gang). The former group includes Xu Liqun [6079 4539 5028], Lin Mohan [2651 7817 3211], Wu Lengxi [0702 0397 6007], Liu Baiyu [0491 4101 5038], Ouyang Shan [2962 7122 1472], Wei Wei [7614 1550], Zang Kejia [5258 0344 1367], and Ma Feng [7456 1496]. The latter group includes Li Xifan [2621 1585 0416], Hao Ran, and Yao Xueyin [1202 7185 0995]. They have bared their claws in an all-out effort to stir up class struggle. They are holding all sorts of activities to "criticize liberalization," and are working to purge democratic reformists.*

*The Green and Red Gangs have worked recently to rebut mainly the following viewpoints: 1) The view that socialism must be reevaluated and Marxism must be adopted flexibly. This view is held by Su Shaozhi, Zhang Xianyang, and Wang Yizhou [3769 6654 5297]. 2) The syncretistic theory of peaceful competition between socialism and capitalism (a theory espoused by Zheng Bijian [6774 1801 1017], a former deputy director of the Chinese Academy of Social Sciences and political secretary to Hu Yaobang). 3) The view that ideology should be diversified, that Marxism is just one of many ideologies*

and should also be judged by its practical results, and that people should not be forced to place faith only in Marxism. 4) The idea that contemporary capitalism is not in a decadent stage but is quite vigorous, and that China should learn from capitalist experience. 5) The view that the state-owned economy must be reformed and the privately owned economy expanded. 6) The view that freedom of speech must be guaranteed. 7) The view that politics should become diversified, that a multiparty system should be implemented, and that open elections should be held. 8) The view that basic human rights should be defended. 9) The view that Western-style Marxism and immature Marxism should be promoted. 10) The criticism of oriental despotism.

With regard to the criticism of oriental despotism, the Green and Red Gangs have explicitly excoriated the philosophical views of Jin Guantao [6855 6034 3447]. Jin Guantao, a little past 40 years old, is the former director of the research department at the Chinese Academy of Sciences in Beijing and is currently a visiting researcher at the Institute of Chinese Culture in Hong Kong's Chinese University. He is now preparing to launch a magazine called NIANYI SHIJI [21ST CENTURY].

The Green and Red Gangs have also taken to task the "oriental despotism" of Karl Wittfogel, criticizing him for being strongly anticommunist and having turned into an imperialist cold warrior.

Wittfogel was originally a member of the Communist Party of Germany. Later he immigrated to the United States and published his famous *Oriental Despotism*, in which he discussed the theories of Marx on Asian societies.

The Green and Red Gangs have attacked *Oriental Despotism* for equating socialism under the rule of Eastern communist parties with oriental despotism, and have said that Wittfogel's motive for writing the book was to fight against "communist totalitarianism."

#### **Retaliation and Criticism of Liberalization Have Not Come to an End**

The aforementioned facts are ample proof that the Chinese Communist authorities have not concluded their retaliations against intellectuals, and that criticism of liberalization in intellectual circles has not abated but is continuing to expand. The theory of permanent revolution put forth in 1964 and the propaganda that built up Mao Zedong's divine authority while entombing the people in ignorance affects every person's life.

## NATIONAL AFFAIRS, POLICY

### Forum Discusses Regional Economic Development

91CE0030A Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 4, 20 Aug 90 pp 25-29

[Article by Bian Gu (6708 0657): "Roundup Discussion of the Regional Economy and Regional Economics"]

[Text] The founding meeting of the Chinese Regional Economics Association and its first symposium were held at Anyang during late February 1990. The meeting reviewed new advances made during the 1980's in research on regional economies in China, analyzed problems and causes of problems in the development of regional economies today, and examined the guiding policy and responses to the economic pattern and development of regional economies during the 1990's, particularly during the Eighth Five-Year Plan.

#### I. Special Importance for China of the Study of Regional Economies

China is a vast land. It is a classic large developing country in which great variations exist between one region and another in natural, economic, social, and human conditions, and in which regional economic development is very uneven. These factors hold particularly important significance in the study of China's regional economy.

Nationally, no matter whether drawing up economic and social development strategy and plans, inaugurating system reform plans, and promoting opening to the outside world, etc., regional differences have to be conscientiously considered; and in carrying out all policies that are nationwide in character, regional differences must be even more considered if "arbitrary uniformity" is to be avoided and good policy results attained. A regional economy is a subsystem of the national economy. The national economy is an organic combination of regional economies that are distinctive in character and at different levels of development. Sustained, stable, and coordinated development of the national economy requires both the proportional development of all industries and all sectors, and the coordinated development of all regional economies. How to coordinate regions of different types, regulate interregion economic interests, and bring about an optimized combination of regional economies is an important ingredient in the study of regional economics.

Looked at from the local level, regional economics provides a scientific basis for determining how to proceed from the specific circumstances and characteristics of different kinds of areas in different stages of development to employ advantages, avoid disadvantages, make the most of strengths, and take a road of development that is suited to local circumstances in attaining the overall goals of nationwide economic development.

#### II. Main Components in the Study of Regional Economics and the Main Near-Term Direction of Attack

Opinions vary among western scholars about the definition and objects of study in regional economics. On the basis of our own experiences in conducting research, the objects of study and the tasks of Chinese regional economics may be preliminarily summarized as follows: Research and analysis that takes Marxism-Leninism as the guide for study of socioeconomic "regions" in which there is an uneven distribution and no possible completely free flow of resources to reveal inherent laws for these regions, and to forecast changes in their development as an applied branch of learning that serves socialist modernization, specifically the formulation of a national economic pattern strategy and planning, drawing up of regional policies, and formulation of strategies and plans for all levels of local development.

As a field of learning, the substance of regional economics research includes primarily the following:

1. Study of social productivity and of the laws governing the geographical placement of key elements.

The economic problem of geographical location, no matter whether expressed in terms of an investor's choice of a location having various set conditions, or expressed in terms of set regional requirements for a chosen development orientation and methods, and resources inputs is actually controlled by the three factors of variations in the endowment of resources (absolute or relative advantages), the economies of scale and the economy as a whole, and transportation costs. Assuming a like level of economic development, these three factors have a different effect on different industries (or trades). When the level of development is different, changes in any one of the three factors, or changes in their relative status and correlation both shapes and determines the laws of geographical placement in the economy. Only by revealing the laws governing changes in geographical movements in the economy is it possible to understand means and causes in a regional economy, thereby enabling regional economics to develop into a mature independent field of study.

2. Economic patterns and regional economy operating mechanisms under different systems.

Probing the operating mechanism, and analyzing the geographic formation and evolution of the economic system was a landmark in the development of traditional location theory in the direction of regional economics, and it is also the main indicator differentiating economics from ordinary economic geography descriptions. It enables regional economic theory to approach reality, thus results are quite serviceable.

3. Regional structure, interregional division of labor, interregional trade and flow of essential elements.

4. Regional organization and control.



5. Regional national economy accounting, and regional economic diagnosis.
6. Regional growth and development theory.
7. Theory and methods of regional planning.
8. Geographical distribution policy and regional policy.

The meeting acknowledged that China possesses a rich soil and pressing social demand for the development of regional economics. During the 40 years since founding of new China, rich positive and negative experiences have been accumulated with regard to the economic pattern and the regional economy, which now require summarization and enhancement. Both now and in the future, solution to various complex and thorny regional economic problems will require regional economics to provide a theoretical foundation as well as specific plans. During the past 40 years, both forces for the study of the country's regional economy, and results obtained have been substantially accumulated. During the past 10 years of reform and opening to the outside world, in particular, the research corps has expanded rapidly, and the research area has opened up greatly. During these 10 years, the results of research have vastly exceeded the total for the previous 30 years. With further strengthening of organizational coordination and academic exchanges on this foundation, conditions will be completely such as to be able to establish within a not very long period of time a distinctively Chinese brand of regional economics that both satisfactorily answers the various problems that practice with the country's regional economy poses, and also to move into the front ranks of the world in theory.

How can we press on toward this objective? The meeting maintained that it is surely necessary to borrow scientific components from foreign regional economics, but foreign regional economics should not be mechanically copied lock, stock, and barrel, for to do so would be to act like a "copying machine." The fundamental road should be to face the most urgent problems in the country's regional economies, start studying remedies, and simultaneously improve basic theoretical inquiry, organically combine standard research and positive analysis, and steadily widen research horizons and innovate research methods for the gradual shaping of a rigorous scientific system.

For the near term, the focus should be on the 1990's, particularly the period of the Eighth Five-Year Plan. Research should be done on key problems such as guiding policies for the nation's economic pattern and regional economic development, the selection of models, and the execution of plans. Doing this will require a full and accurate qualitative and quantitative analysis of changes in the economic pattern and the regional economy, and actual results of geographical distribution policies and regional policies during the past 40 years, particularly the past 10 years. It will require a summarization of the historical lessons of experience from the theoretical heights, accurately assessing the present

overall state of the country's economic pattern and regional economy and existing problems, analysis of the crux and the causes of problems, and exploration of remedies for them. Specifically, the following are the main problems:

1. Problems in the geographical location mechanism under a planned commodity economy.

Under the traditional system, the nationwide geographical location blueprint was virtually dictated. Its operation was directly expressed as investment in accordance with regional distribution in plan, the direction of flow of capital, materials, and the workforce being basically determined by the regional distribution of projects. The regional economic structure and its changes were expressed only as results from investment and project location. Under a planned commodity economy, the situation is far more complex. First of all, with the pluralization of main interest groups, the pluralization of the main investment and project location decision makers, getting different investors and local goals to have a common orientation requires analysis of the separate decision making goals, motivation and processes of different groups. This forms a basis for studying how to adopt regulatory methods that combine planning with market regulation for the comprehensive application of economic, legal, and administrative methods to the realization of overall national geographical location goals. In value terms, it forms a basis for how to apply the central government's directly controlled investment pattern to function in inducing other investment groups. In material terms, it forms a basis for how the central government uses command plans to decide the location of large basic facilities that cut across provincial (city, or prefecture) lines to make use of the inducement role of the pattern of distribution of ordinary industrial projects.

2. Combination of additional sites and readjustment of existing sites.

Investment in fixed assets nationwide during the past 40 years amounts to more than 2 trillion yuan. Newly added fixed assets account for more than 1.5 trillion yuan (including only the portion under ownership of the whole people), more than 4,000 large and medium-sized projects having been built and gone into production. Investment in fixed assets during each coming year will be only a few percent of the huge amount now in being. Within the huge amount in being, various problems exist of not very high utilization rates, or even projects lying idle and unused, and antiquated technology. Therefore, study of the economic pattern and regional economics should not be limited to increases and the location of newly built projects, but rather should simultaneously include study of how to use methods such as technical transformation, and readjustments of both enterprises structure and the structure of their geographical location

in order to optimize projects in being. Particular attention should be devoted to how to "ignite" the optimization of projects in being through the placement of additional ones.

### 3. Interregional interests and interregional division of labor

Practice since reform and opening to the outside world fully shows that a regional division of labor on the basis of dynamic relative interests has played a marked role in improving overall returns nationwide, and economic returns in each region. However, this result has required numerous preconditions, the key one of which was insuring that the economic interests of those taking part in the regional division of labor were generally equal. Unless this is the case, no matter how good the division of labor, it only amounts to "drawing things on paper and hanging things on walls." In today's situation in China of serious distortions in relative prices of the products of industry and agriculture, and of upstream industries and downstream industries, as well as the "two track system" for prices, many places that hold greater advantages in terms of agriculture and raw and processed materials industries are frequently in a situation of the more they take advantage of their advantages, the greater their economic losses. Study of the various institutional impediments to a regional division of labor and that lead to an irrational industrial structure between one region and another will provide valuable reference for the formulation of plans for further deepening of reform.

### 4. Coupling and evolution of regional industrial structure.

As a result of long historical development, the linkage between China's industrial pattern and the structure of industry between one region and another exhibits a marked vertical division of labor. This is to say that the resources-rich middle and western parts of the country, and the far-flung rural villages provide coastal regions and large and medium-sized cities with energy, raw and processed materials, and primary products, the latter returning finished products to the former after processing. As inland industries gradually became stronger, this hackneyed old pattern of production came under attack time and time again. Since reform and opening to the outside world, in particular, with the advent of greater regional interests and stronger self-organization capabilities, an increasing number of inland industries and township and town industries are doing "local processing to add value" to their local raw materials. Commentators judge this turn of events differently. Detractors condemn it as raw materials producers caring only for local interests without regard for the overall situation. Supporters regard it as a rightful change brought about by changes in regions' comparative interests. There is no agreement as to which is right and which is wrong. Traced to its source, the local cost distortions or incompleteness created by skewed prices and incomplete commoditization of key elements causes a lack of

objective standards for judging rights and wrongs, and advantages and disadvantages. Practice urgently requires that regional economists outline the spread of local costs and comparative advantages for the country's major industries (trades, and products) and do a followup analysis of dynamic change by way of providing scientific data for drawing up national economic pattern and regional economic structure readjustment plans. This would assure maintenance of the interrelationship and linkage of the industrial structure between one area and another during a particular time period enabling smooth performance of social reproduction. In terms of dynamic development, it would also enable the industrial structure in all areas to move ahead from their own foundation in the direction of upgrading their structure in a regulated way.

### 5. Interregional trade and the flow of key elements.

In a certain sense, development of a commodity economy is an expansion of trade between one region and another and the flow of key elements, as well as an expansion of the volume of flow. The formation of a unified market nationwide is a prerequisite for bringing about a regional division of labor in accordance with comparative interests. Thus, the use of administrative measures to erect "walls against movement in and out," and the cutting up of the unified market to block the flow of key elements, and such unfair competition, should be forbidden by law in order to insure that key elements are able to flow smoothly to areas in which the marginal rate of return is high in order to increase overall returns from the use of resources. However, looked at from another angle, if the allocation of resources and key elements relies entirely on the market mechanism in China where regional economic development is extremely uneven, the strong "polarization effect" of up-scale regions (large cities and economically developed areas) will create a "hollowing out" of surrounding areas. This will accentuate the level of development between developed and undeveloped areas, and between the cities and the countryside, and it will widen the gap between residents' incomes. How to handle these "two difficulties" in practice requires that regional economists come up with deeper practical research results.

### 6. Regional policies and their framing.

Regional policies are important means for easing conflicts and for regulating relationships between one area and another. Formulation of correct regional policies requires a clarification of the relationship between regional policies and markets first of all. In China, regional policies not only function to make up for "market shortfalls," but function even more to make up for insufficiently developed or unsound markets. Thus, in drawing up and carrying out regional policies, there is no suppression of the market function but rather a fostering and a perfection of markets. In the absence of market information, the formulation of regional policies lacks basic data. Second, when framing regional policies, the guiding principle that has to be spelled out is whether

to make perfection still more perfect, or whether to send timely help. Delegates at the meeting maintained that since regional policies served to make up for "market shortfalls," they should embody the "compensatory principle," playing a role that is opposite to that of the market mechanism in solving the problems of an intensification of the dual regional structure and unbalanced social justice that accompanies the pursuit of efficiency and returns in order to insure social stability. This holds particularly important significance today when the international situation is suddenly changing.

China is a vast and complex land in which just one or two regional policies cannot be depended on as a panacea for multiple ills. The coastal development strategy proposed at the end of the 1980's requires further amplification and perfection in view of the experiences accumulated in the course of implementation, and in view of new changes in the world situation. In view of the differences in inland areas, remote western areas, and land border regions, a regional development strategy should be drawn up. Policies for impoverished regions, regions in which the natural ecology has been seriously damaged, and large natural preserve areas should be further perfected for the shaping of a completely intact regional policy system.

7. The problem of boosting subregions for reform and opening to the outside world.

Regional economies and unbalanced social and cultural development require that we adopt method for boosting subregions in the country's opening to the outside world, and in reform of its economic control system. However, methods for boosting subregions may themselves produce "artificial differences" that occasion new interregional conflicts and frictions. Solution to these "two difficult" problems in practice urgently requires support in the form of theoretical study.

8. Regional organization and economic zoning.

Economic zones are geographical units that have gradually taken shape in the course of development of a commodity economy. Economic zoning is based on the laws of economic zone formation and development. It consists of the zoning of the national domain in various ways that combines tasks in national economic development during a certain period of time, and it is an outgrowth of different goals. It is a means and a method in economic planning and control work.

Up until 1987, the country had six large economic zones for a very long time. The Seventh Five-Year Plan proposed a division into three large economic regions. In recent years, those concerned have again proposed zoning of the province into primary administrative regions on the basis of differences in the industrial structure (resources type, processing type, and mixed type). Just which kind of zoning has both a scientific basis and is also workable in practice requires a consensus, feasibility plans being provided to policy making units for consideration.

Progress made on the zoning issue at this meeting consisted of pointing out the different functions of different kinds of zoning, and that the different kinds complemented rather than substituted for each other. Take, for example, economic areas zoned on the basis of their stage of economic development and the level of their productivity. Their main role is to serve the overall national situation and its promotion, as well as to formulate large tract development strategies. For regional planning and organization, however, composite economic zones (also known as hubs or node areas) should be chosen. Areas zoned on the basis of differences in industrial structure serve the formulation and execution of national industrial policies, thereby reflecting the suiting of general methods of local circumstances and providing tailored guidance.

### III. Achievements and Problems in Regional Economic Development During the 1980's

The delegates to the meeting gave high marks to achievements scored in regional economic development since reform and opening to the outside world. They felt these achievements were manifested primarily in the following ways:

1. The level-by-level implementation of macroeconomic regulation and control improved the self-organization capabilities of regional economies, and the vitality of regionwide economies.
2. Readjustment of macroeconomic geographical distribution policies, and the pattern of opening to the outside world that was gradually advanced level by level was opportune, enabling the economies of coastal areas to take the lead in advancing to a new stage.
3. Development of lateral economic partnerships that cut across regional lines and the division between cities and the countryside demolished self-isolation between one region and another, and gave impetus to the flow of key elements and the exchange of strengths between areas. It promoted a division of labor between regions and optimum allocation of resources.
4. The national policies of support and assistance to "old revolutionary areas, thinly populated areas, border regions, and impoverished areas" produced market results, 484 of 679 impoverished counties leaving poverty behind.

While affirming achievements and summarizing experiences, the delegates to the meeting coldly analyzed the problems in regional economies today that impair national economic coordination and high returns as follows:

1. In the division of economic control authority between the central and local governments, the central government financial authorities lost too great a percentage of control. This weakened state macroeconomic pattern regulation and control capabilities.



2. The administrative division of authority and various contracting systems prevented optimum allocation of resources. This led to duplicatory imports, redundant construction, and the building of projects that were too small and too light. This meant a loss of the benefits of scale and benefits from a regional division of labor, particularly for processing industries having high costs and making large interest and tax payments. It also intensified structural imbalance for the country as a whole.

3. The irrational interregional economic structure, and the unsoundness of the market operating system created disorderly interregional trade, frequent "wars" for scarce resources, and the cutting up of the unified market.

4. In the process of carrying out reform and opening to the outside world, subregions offered policies that were too preferential to some places. This produced "artificial differences" and unfair competition that both exacerbated interregional frictions and widened the regional economic development gap, which hurt social stability.

#### IV. The Economic Pattern During the 1990's, and Guiding Plans and Policies for Regional Economies

The 1990's were a key period for China's socialist modernization. Several views were expressed in discussions about the economic pattern during this period and about the guiding plans and policies for development of the regional economy: One view held that while carrying out policies that tilt toward industry in the future, a neutral regional policy should be adopted. Another view advocated a "one and one-half key point strategy," meaning coastal areas are one key point, and remote regions away from the coastal region are a one-half key point. Currently, the output value of industry in these two regions amounts to about 83 percent of the national total. Yet another view maintained that a "development strategy along many lines" should be adopted, meaning along coastal areas, in areas that lie along major rivers and transportation arteries, in areas along land borders, and in areas surrounding large and medium-sized cities, all of which should be key areas for development. A fairly large number of comrades advocated adoption of a strategy of appropriate regional tilt and interregional coordinated development. Since development of the country's regional economies is unbalanced, and there are very great differences in the investment climate of each region, improvement of economic returns, inputs of resources, and the flow of key production elements should be tilted toward regions in which the investment climate and the operating environment are comparatively good. However, the tilt to these areas must be moderate. Too much of a tilt would both be bad for social stability and would run contrary to the quest for development plans while maintaining stability. It would also damage interregional investment in industry causing failure of the original purpose for which the tilt policy was intended. Some comrades pointed out that, stated accurately, a moderate tilt means a tilt toward the best places for different industries. Different industries

have their own different location requirements, and advantages and disadvantages of construction conditions in each area usually means with suitability for specific industries. Organically linking industrial policies and regional economic policies can both promote the formation of different key industrial areas, and can also give impetus to the maturation of dominant industries in different areas, thereby taking account of the dual objectives of efficiency and fairness. Coordinated regional economic development entails not only reliance on the market mechanism, but also taking full advantage of the role of plans and policies. The nation must continue to nurture economically undeveloped areas in accordance with the "compensatory principle," particularly giving financial assistance to the building of basic facilities in these areas, and developing cultural and educational activities there as a means of improving their investment climate. So long as prices are distorted, economic compensation must be given to places that produce and ship mostly primary products. Economically developed areas are duty bound to employ lateral links to assist and urge along undeveloped areas, thereby enabling the industrial structure of areas having different levels of development to move ahead from their present foundation.

#### Leading Economists View Planned, Market Economy

91CE0080A Beijing JINGJI RIBAO in Chinese  
19 Oct 90 p 3

[Article by Jia Dechang (6328 1795 2490): "Advancing Economic Reform Toward the Goal of a Combination of Planning and Market Regulation"]

[Text]

- Chen Jinhua [7115 6930 5478]: The Key Point in Eighth Five-Year Plan Planning and in the 10 Year Basic Conception for Economic System Reform is the Study of How To Build an Operating Mechanism That Combines a Plan and Market Regulation.
- Xue Muqiao [5641 2550 0294]: Straightening Out Prices and Smoothing Markets According to the Laws of Value.
- Ma Hong [7456 3163]: Plan and Market Is By No Means a Case of Water and Fire Not Mixing.
- Gao Shangquan [7559 1424 0356]: Exploring Specific Forms of Plan and Markets at the Operating Level in the Economy.
- Wu Jinglian [0709 2417 8834]: No Hard and Fast Black and White Distinction Exists Between Plan Laws and Market Laws.
- Li Yining [2980 0110 1337]: Special Need To Pay Attention to the Study of "Plan" Planning and Coordination Functions in Discussing the Correlation Between a Plan Economy and Market Regulation.

During the golden month of October, when the scenery in Beijing is delightful, more than 100 Chinese economic experts attended the "Socialist Economic Reform Theory Symposium" that was held here. This four-day

symposium, which ran from the 10th through the 13th, was under joint sponsorship of the Overall Development Research Academy and GAIGE [REFORM] Magazine. The topics that delegates to the symposium addressed were how to bring about an organic combination of plan and market economies, and efforts from various angles to make the study of this topic more concrete.

The newly appointed State System Reform Committee chairman, Chen Jinhua, the object of attention of people at home and abroad alike, appeared at the symposium on the first day. This expert, who has led industry and commerce for many years, has paid extremely close attention to the study of theory. In this speech, he emphasized that during the present deepening of reform, it is extremely necessary to combine theoretical guidance with practice in reform accumulated during the past more than 10 years. He noted that current problems in China's reform have attracted worldwide attention. The main task of the State System Reform Committee today is to concentrate energies on the study and formulation of economic system reform Eighth Five-Year Plan planning and the 10-year basic concept, the key to which is the study of how to build an economic operating mechanism compatible with a socialist planned commodity economy that combines a plan economy and market regulation. This is a major problem, and it is an issue requiring constant theoretical and practical exploration. He hoped that the experts would speak out freely, contributing their wisdom and making recommendations for fulfillment of this task.

The 35 renowned economists and entrepreneurs who spoke at the symposium either directly or indirectly addressed this major topic of the correlation between a plan economy and market regulation.

The noted economist Xue Muqiao reminded delegates of the need to straighten out prices and smooth markets in accordance with the laws of value when dealing with the correlation between a plan economy and market regulation. He maintained that the most marked change during the past more than 10 years of reform has been the change from a product economy to a commodity economy, the market regulation function being carried out under plan guidance. He said that what we have is a planned commodity economy. By planned is meant macroeconomic control of the national economy, which also means maintenance of overall balance in the national economy. The rise and fall in prices regulates the production and marketing of all products in the microeconomic sphere. So long as a good job is done in the overall balancing of the national economy, i.e., balancing total social supply and demand, and in maintaining a rational proportional relationship among national economic sectors, the economy can be invigorated without creating chaos. Right now prices of all products are fluctuating as costs, and as supply and demand relationships change. By keeping the overall price level stable, it will be possible to effect control without stifling the economy. Our improvement of the economic environment and rectification of the economic

order means greater macroeconomic control. Once improvement of the economic environment and rectification of the economic order produces results, we should proceed to readjust the distorted price system. Only by straightening out prices and smoothing out markets will it be possible to enable enterprises to compete fairly from a common starting line for sustained, stable, and coordinated development of the economy.

State Council Development Research Center chairman Ma Hong summarized the three current lines of thinking of theoreticians in discussing the orientation of future economic reform as follows: The first is the plan orientation theory, which maintains that macroeconomic control has been lost during the past more than 10 years of reform, and that vigorous development of the economy requires that the role of plan be emphasized and the planning system strengthened. It maintains that a market economy is linked to capitalism, and is as incompatible with socialism as fire and water. Abandonment of plan means the abandonment of socialism. Second is the market orientation theory, which maintains that the loss of macroeconomic control and the problems that exist in the economy are directly or indirectly related to the planning system. Development of the economy requires a major weakening of command style plans. The process of developing the economy is a marketizing process. It maintains that those who advocate greater planning are taking the same old road. The third is the advocacy of an organic combination of a planned economy and market regulation. Ma Hong said that the foregoing summarization may seem too simple, but that it reflects in a general way the three main lines of thought. He believes that although the first two lines of thought make a certain amount of sense, they are somewhat skewed, causing people to feel that plan and markets are antithetical and as incompatible as fire and water. They deny the necessity and the possibility of combining the two, and they artificially set up dominant and subordinate roles. Actually, plan and markets are not diametrically opposed, but rather are complementary. The reasons for the problems currently existing in the economy are that the market mechanism does not work, and that plan measures are not properly applied. Therefore, in future reform, it is necessary both to guard against loss of macroeconomic control and to bring into play the role of markets, concentrating on combining plan and markets. As to how to bring about a combination of plan and markets, theoreticians also have varying opinions today such as plate theory [2647 1040 6158], permeation theory [0639 6631 6158, and cover theory [6010 5556 6158]s, etc. Despite the differences of opinion, there is unanimity on one point, namely the recognition that plan and markets have to follow the laws of value. The consensus on this point provides a basis for solving the plan and market problem.

The speech of State System Reform Committee Deputy Chairman Gao Shangquan emphasized how to make the study of a combination of the planned economy and market regulation more concrete. He believes it is necessary to explore specific kinds of combinations from the

operating level of the economy. Both a planned and a market economy operate on the basis of a common law, namely the commodity economy law, so we must build an organizational foundation that corresponds to it. Only then will it be possible to combine the planned economy with market regulation. This entails use of the deepening of reform to construct this organizational foundation, including the following: Reform of the plan control system, changing the function and role of planning; establishment of a macroeconomic regulation and control system that combines the planned economy and market regulation; steady movement ahead with price reform to create conditions for the gradual formation, growth, and development of a socialist market system; consolidation of achievements already made in enterprise reform, and gradually moving ahead with enterprise system reform to enable enterprises to become relatively independent commodity producers and managers for the shaping of a self-development and self-limitation system; and establishment and perfection of market planning to establish a socialist planned commodity economy basic order that is consistent with the organic combination of plan and markets.

The remarks of the noted economist Wu Jinglian concentrated on the need to define concepts, and the focus of current discussions of the plan and market issue. He pointed out that when we study the issue of combining a plan economy with market regulation, we cannot confine ourselves to arguments about concepts. Concepts have to be defined as well. He felt that in current discussions about combining plan and market regulation, sometimes concepts are not clearly defined. For example, sometimes just what is meant by a planned economy and a market economy is not sufficiently clear. There is a historical cognition process for the two concepts of planned economy and market economy. Understanding of planned economy has a dual implication. One concerns the operating state, i.e., regularly and consciously maintaining proportional economic development, meaning that the planning character and plan are proportional. The second concerns the mode of operation, i.e., how to apportion resources effectively. Formerly the dual implications were deemed to be linked, but socialist economic practice has brought about a change in perceptions, namely that under modern economic conditions, the dual implications may be separate. Specifically, a planned economy means that a suitable proportionality and coordinated development may be maintained, but the way in which this proportionality is maintained may be decided through the market mechanism. The traditional view of a market economy holds that the market mechanism allocation of resources definitely does not involve government. Today's view is that a market economy is not necessarily to be equated with capitalism, nor does it definitely not involve government. Looked at in terms of the current understanding, a planned economy and a market economy are depictions of a modern economy from different angles. Here, he quoted a phrase that Xue Muqiao used in the 1950's, that "no hard and fast black and white distinction exists

between plan laws and market laws." On this basis, Wu Jinglian suggested that when discussing the relationship between a planned economy and a market economy, one should avoid fuzziness, focusing the discussion on the level of the allocation of resources.

Beijing University economics professor Li Yining made a presentation on the "plan" concept from a different angle. He said that plan, coordination, and distribution are the three main ingredients in planning work. One should not suppose that planning work means drawing up and implementing manpower, financial, and material quotas. For a long time, some people have regarded planning work solely in terms of drawing up and implementing quotas to the neglect of planning and coordination. He warned that it is necessary to guard against using planning as a guise for irrational quotas, doing things like requiring the purchase of locally made goods, bundling goods to require buyers to purchase goods in addition to the ones they want, and levying assessments on enterprises, etc. These are distortions of plan work. Li Yining said that under present circumstances, naturally quotas cannot be abolished because the gap between supply and demand is still great. Were quotas to be abolished for important products the supplies of which are limited and for which the elasticity of supply is small, it would be difficult to stabilize the economy. Therefore, from a macroeconomic standpoint, plan quotas cannot be abolished at the present time. In the future, once supply and demand are substantially in balance, and the industrial structure is largely coordinated, quotas may be reduced. Nevertheless, plan coordination and planning work can never be relaxed; they must be steadily improved and enhanced. During the present market slump, should there be quotas? Li Yining's reply to this was supply and demand for some products are substantially in balance. For the sale of these specific products, plan quotas may be abolished. But why is there a market slump? One important reason is the product mix, and dislocations in the industrial structure. Readjustment of the product mix and the industrial structure will require the use of plan quotas. In short, when studying the issue of combining plan and markets, one must give simultaneous attention to "Plan" planning, coordination, and distribution.

Other notables taking part in this symposium were Lu Dong [0712 2639], Zhang Youyu [1728 0645 3342], Gui Shiyong [2710 0013 6978], Zhou Jiannan [0719 1696 0589], Ruan Chongwu [7086 1504 2976], Wu Xiang [0702 6272], Xu Yi [6079 3015], Tang Bingwu [3282 0014 0582], Ji Zhong [4764 0022], Zheng Zhong [6774 6850], Dong Shaohua [5516 4801 5478], Zhou Shulian [0719 0647 5571], Lin Zili [2651 1311 0500], Dong Fureng [5516 6534 4356], Zhao Renwei [6392 0086 0251], Jiang Yiwei [5592 0001 5517], Wang Mengkui [3769 1125 1145], Sheng Huaren [4141 5478 0087], Ji Chongwei [1323 1504 1218], Lu Xueyi [7120 1331 5669], Yang Peixing [2799 1014 2450], Dai Yuanchen [2071 0954 2525], Wang Jue [3769 3778], Sun Xiaoliang [1327 2400 5328], Lian Qin [4886 5355], He Wei [0149

0251], Zhou Xiaochuan [0719 1420 1557], Zheng Hongqing [6774 3163 1987, Ma Kai [7456 0418], Li Jiange [2621 0494 7041], and Xu Xiaochun [1776 1321 4783].

### Retail Sales Jump in October

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1506 GMT 16 Nov 90

[Text] Beijing, November 16 (XINHUA)—The golden season of October brought about vitality to the once sluggish market in China.

Statistics provided by the State Statistics Bureau today show that the retail sales of commodities, including color TV sets and washing machines, jumped by 7.4 percent since October last year, reaching 70.1 billion yuan.

Total retail sales of commodities reached 673.7 billion yuan from January to October, showing a moderate increase over last year's base.

Of the 29 major commodities, half registered sales increases. For instance, the sale of color TV sets doubled since last year, washing machines sales were up by 25 percent, and 45.3 percent more edible sugar was sold.

However, retail sales of cotton products, salt, cigarettes, wrist watches and detergent fell.

Rural market volume grew. The consumer product market saw its first increase in retail sales in October, after a nine month decline. The retail sales of consumer goods totalled 28 billion yuan, 4.2 percent more than the corresponding period from last year. The means of production continued its recovery in October with a 4.6 percent increase in sales.

Compared with October 1989, there were reported increases of retail sales in all 30 provinces, municipalities and autonomous regions, with Beijing registering an 18.5 percent increase, the highest in the country. Tianjin, Guangdong, Hubei, Yunnan and other four regions reported increases which exceed 10 percent.

The purchase of commodities rose. China purchased 80.3 billion yuan worth goods in October, an 18 percent increase. Purchases of industrial products and farming produce were up 16.3 and 23.5 percent, respectively.

By the end of October, China purchased 65.13 million tons of grain, up 12.1 percent over the same period last year; 2.33 million tons of edible oil, up 43.3 percent; 2.35 million tons of cotton, up 50.7 percent; and 82.46 million pork bellies, up 10.8 percent.

## PROVINCIAL

### Guangdong Records Substantial Economic Growth

HK1911025290 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST) in English  
19 Nov 90 p 3

[By Sondra Wudunn]

[Text] Guangdong is leading China's economic recovery, with industrial growth climbing 17.8 percent and retail

sales surging 5.8 percent in August, according to Jardine Fleming Securities.

Since May, industrial growth in the southern province has grown by double digits unlike the rest of China, which is slowly picking up after a dismal first half. The nation's industrial growth hit 4.6 percent in August.

But Guangdong's gross national product (GNP) was also up 6.4 percent in the first half of the year, compared with 1.6 percent for the whole country.

This is welcome news for Hong Kong manufacturers, many of whom have shifted their production facilities to the province, Jardine Fleming says in a recent report.

It adds that inflation dropped four percent in Guangdong in the first seven months of the year, but rose 2.7 percent in the rest of China.

The figures reflect Guangdong's freer and more flexible economic environment which allows it to react more quickly and dramatically than the nation as a whole.

In January, its industrial output fell 12.9 percent, twice the size of the national downturn, while in August its 17.8 percent rebound was nearly four times the size of the national increase.

But more importantly, this greater volatility suggests Guangdong's increasing dependence in recent years on Hong Kong and other Chinese provinces, says the report.

Local government figures show that 58 percent of the territory's total exports to China and 64 percent of its imports from China were related to outward processing in the second quarter of this year.

Exports related to outward processing—raw materials or semi-manufactured goods exported to the mainland for manufacturing are then re-exported as finished products to Hong Kong—totalled \$145 billion last year.

Imports from China related to outward processing—goods from the mainland, all or part of which are under contractual arrangement exported from or through Hong Kong to China for processing—reached \$195.4 billion.

Despite an 8.1 percent fall in Hong Kong's total exports to China in the first quarter, exports related to processing went up 14 percent—domestic exports rose 7.3 percent and re-exports 19 percent.

Jardine Fleming's economist Pauline Loong noted that Guangdong had become especially reliant on Hong Kong since Beijing launched its austerity programme 18 months ago.

Privately owned and wholly or partially foreign-owned enterprises account for 24 percent of the province's total exports, up from 21 percent last year and 17 percent in 1985.



### Auto Meter Production Line Opens in Jilin

OW1511172890 Beijing XINHUA in English  
1458 GMT 15 Nov 90

[Text] Changchun, November 15 (XINHUA)—An automobile meter production line, believed to be the largest in China, was put into operation today in the Siping Instrument and Meter Plant of northeast China's Jilin Province.

The production line has an annual production capacity of 400,000 sets of automobile meters which fit 200 different specifications. According to the engineers from the plant, the key components of the production line were imported from Japan.

The engineers said that most of the production line's automobile meters will supply the No. 1 Automobile Manufacturing Plant, also in Jilin Province, and 40 other automobile manufacturing enterprises in Beijing, Tianjin, Shenyang, and Harbin Cities, and in Jiangxi and Sichuan Provinces.

### Private Enterprises 'Flourishing' in Zhejiang

91P30041A Beijing JINGJI CANKAO in Chinese  
26 Sep 90 p 1

[Text] A recent investigation by relevant departments into Zhejiang Province, where private enterprises are flourishing, reached the following conclusion: In the course of rectification and improvement, private enterprises have withstood the test and gained a firm foothold, and they are enjoying healthy and steady development under the state's guiding principles of "supervision, management, and guidance."

Zhejiang industrial and commercial administrative offices recently discovered after analyzing the annual enterprise register that although the actual number of firms registered as private enterprises in Zhejiang is slightly smaller than last year, their overall economic strength and quality have improved somewhat. Some specific examples:

The production scale of a large group of backbone enterprises is steadily expanding. At present, after undergoing mergers and rectification, more than 100 private enterprises with annual output values exceeding one million yuan have sprung up in Zhejiang. Most are engaged in industrial production, the larger ones manufacturing rolled steel and household electrical appliances, the smaller ones bamboo and wooden toys and plastic goods. These firms make up only one percent of all private enterprises, but they contribute nearly one-third of the taxes paid by private enterprises to the state.

The overall value of capital invested in private enterprises has increased, their scope has expanded, and their contributions to the state have increased. Statistics show that the capital and assets of private enterprises in Zhejiang increased an average of 3,518 yuan per enterprise, while 135,000 square meters of new production

sites and plants went into operation. Currently there are more than 9,600 private enterprises in Zhejiang employing 135,000 workers, with capital and assets totalling 580 million yuan. In 1989 the province's private firms paid 91.3 million yuan in taxes to the state, nearly 10,000 yuan per enterprise.

The industrial structure and product mix of private enterprises have become increasingly rational, while product quality has improved to some extent. According to incomplete statistics, 38 different products of 25 private firms have won various prizes, including 16 products which received state or provincial awards. Three private enterprises in Fuyang manufactured 83 racing boats for the Asian Games, which represents 82 percent of the boats needed for the games.

A large group of private enterprises have shifted their sights abroad and entered the great international circle. Exported products of Zhejiang's private enterprises earned more than \$30 million in foreign exchange last year, three percent of private enterprise total output value. Exports included complete sets of machinery, hardware and tools, clothing and toys, handicraft items, and so on. Most of the goods that earned foreign exchange were specialty items from small-scale operations that were sold to Southeast Asian countries, Europe and the United States. These included bamboo divining slips produced by the Handicrafts and Bamboo Slip Factory in Longyou County's Wucun Township, musical candles made by the Longgang Wax and Plastics Industries Corp. of Cangnan County, and other export products.

In this year's annual survey, 1,424 private businesses in Zhejiang, or 14.76 percent of registered private enterprises, were removed from the list of private enterprises. The major reasons were: 1) Registration was changed to individually operated collective enterprise according to policy or the enterprise's own requirements; 2) some private firms went out of business because of the market slump, poor sales, a shortage of funds, or enterprise losses; 3) many enterprises have had to close down because of poor sales resulting from inadequate technology, poor planning, mismanagement in processing, or slipshod manufacturing practices.

## FINANCE, BANKING

### Remedies Proposed for Fund Shortages

91CE0063A Beijing JINRONG SHIBAO in Chinese  
10 Oct 90 p 1

[Article: "Reasons for the Tie Up of Funds and Remedies Therefore"]

[Text] Problems with funds have become extremely prominent recently. Some people suppose that the shortage of funds stems from too tight reining in of the money supply causing insufficient investment of credit

funds. I would like to express some ideas and suggestions about this based on the actual situation in Hunan.

Comparison of the investment of credit funds with economic development in Hunan Province during the past several years shows a 21.7 percent per year increase in bank credit from the end of 1984 to the end of 1989 while gross national product grew by only 17.57 percent annually. Industrial credit increased 24.9 percent annually, but gross industrial output value increased 9.8 percent annually. Agricultural loans increased 27.8 percent annually, but the gross output value of agriculture increased 14.6 percent. The increase in investment of credit funds far exceeded economic growth. The funds shortage is attributable largely to a rise in the amount of funds in the possession of enterprises, a decline in returns from the use of funds, and the irrational structure of fund use.

The accumulation in inventory of products and commodities tied up some funds. Funds (reserve funds and production funds) tied up in the production process of state-owned industrial enterprises that have accounts with the Industrial and Commercial Bank in Hunan accounted for 64.6 percent of all circulating capital in 1983, declining to 46.3 percent in 1989 showing that the increase in funds did not go for an increase in production, but rather for an increase in funds tied up in finished products, for the delivery of commodities, and for accounts receivable and payable. Commercial department agricultural by-products, and high quality durable consumer goods also tied up a large amount of funds.

Price rises, loss charges, and false profits that concealed actual losses ate up funds. Price rises occasioned a rise in product value. Some of enterprises' earnings became consumption funds to be used up, and some became a source of funds for the expansion of investment. This meant that enterprises had to depend on bank issuance of currency to increase availability of funds needed to meet their need for increased funds. At the same time, numerous enterprises posted loss charges, or falsely reported profits to conceal actual losses, which tied up large amounts of funds. Losses posted by just four kinds of enterprises in Hunan, namely foreign trade, tobacco, foodstuffs, and grain reached more than 1 billion yuan.

Proportional imbalance in investment idled funds. In recent years, the interest has been on investment in fixed assets. Consideration has been given only to fixed assets with no consideration being given to the provision of associated working capital. As a result, once projects were built and went into production, frequently no source of working capital was available, so the projects could not produce expected returns.

Enterprises were seriously short of funds of their own, so start up operations drained away funds. According to Hunan Province Industrial and Commercial Bank statistics on depositor state-owned industrial enterprises, 34.67 percent of all working capital belonged to the

enterprises themselves in 1983, declining to 12.13 percent in 1989. The ever decreasing amount of their own funds meant that enterprises were ill prepared to respond to emergencies. This put great pressure on banks to supply funds, and meant that a very large part of bank credit was drained away for use as ordinary start-up funds that enterprises could not use as working capital.

In addition, payment delays among enterprises also tied up funds.

A basic way of easing the current funds shortage is continued implementation of a policy of improving the economic environment and restructuring the economic order, and deepening reform to curtail total demand that exceeds supply capabilities. We must adhere to the principle of acting according to our capabilities, maintaining overall balance, and maintaining planned proportional development.

First of all, we must make up our mind to readjust the industrial structure and the product mix. Not only must we make up our mind to eliminate those products that have lost their vitality, but we must also make up our mind to eliminate enterprises that lack vitality, thereby enabling financial, material, and manpower resources to flow into industries that have prospects for development, and incline toward products that have prospects.

Second, it is necessary to rebuild a system whereby enterprises can augment their own working capital. One way of doing this is to require that the working capital that various different kinds of enterprises own be a minimum percentage of all working capital. This is a prerequisite for the establishment by independent enterprises of an independent economic behavior capability, and the capability to respond to currency and credit policies. It is also necessary to spell out sources from which enterprises can augment their own funds to increase the motivation of and the pressures on enterprises to augment their own funds. Regulations permitting enterprises to make after-tax withholdings to augment their working capital must be further strengthened. When newly built enterprises and projects are planning investment in fixed assets, they should give corresponding consideration to the working capital needed to go into production, determine sources of this capital, and make full arrangements to get it. Should they fail to do so, they should not be permitted to go ahead with the project, and they should not be granted loans.

Third, banks must conduct periodic assets and funds appraisals, instituting a differential profit rate system as readjustment and optimization of the industrial structure and the product mix require. These profit rates should be used as the basis for providing support to enterprises that produce goods in short supply, and for restricting those that produce goods in oversupply; for supporting those enterprises whose administration and management is good and whose economic returns are good, and for limiting those whose administration and management is backward and returns poor.

Fourth is taking stock and eliminating the fixed assets loan gap in bank working capital loan funds, strictly distinguishing between fixed assets loans and working capital loans, and administering long and short term loans differently. Economic methods should be applied to solve the problem of enterprises delaying payments to each other.

### Problems in Implementation of Monetary Policy

91CE0063B Beijing JINRONG SHIBAO in Chinese  
10 Oct 90 p 1

[Article by Jin Yinghong (6855 5391 5725): "Problems Currently Existing in the Country's Currency Policy Transmission Mechanism"]

[Text] The currency policy transmission mechanism refers to the system, process, regulations, and methods whereby central bank currency policies are carried out. Lacking a scientific transmission mechanism, implementation of the central bank's currency policies will likely go awry. The following problems exist in the country's currency policy transmission mechanism.

1. Lack of organic integration of overall currency policy goals with methods for realizing those goals inhibits the full role of the currency policy transmission mechanism. The overall goal of the country's currency policy is to stabilize the currency and to develop the economy. Acting out of parochial economic interests, some places emphasize only the development of production and increase in output value without regard for the overall objectives of currency policy. In addition, we frequently witness temporary economic phenomena in which there is a tendency to vacillate in drawing up currency policy. Examples include the 1984 measures for relaxation of monetary control, and the currency policies of 1985, 1986, and 1987 when the money supply was tightened only to be loosened. This resulted in matters turning out contrary to wishes, abetting inflation. On the other hand, there is a lack of organic integration between currency policy objectives and methods for realizing those objectives in economic and monetary work that results in a clash between means and aims, one canceling out the other. Examples include the 1988 proposal permitting enterprises to hold multiple bank accounts, and the 1989 proposal to permit credit cooperatives to use floating interest rates. The goals of these proposals was to protect competition, but the results show that they upset the financial order and weakened the role of monetary regulation and control. Therefore, the lack of consistency between overall currency policy objectives and sub-objectives, between short-range and long-range goals, and between goals and methods damages, to a certain extent, the role of the currency policy transmission in advancing the economy.

2. A quantitative proportional relationship between currency policy goals and economic development goals. A quantitative correlation does exist between currency policy goals and economic development goals, the latter

determining the former, and the former possibly directly influencing the latter. Currently we only spell out currency policy goals quantitatively, but without specifically setting quantitative limits and the percentage of variation with economic goals. This results in central bank inability to control the difference between the supply of currency and market demand for currency. In a situation of increasing monetization of the country's national economy, in particular, failure to set a proportional relationship between currency policy goal amounts and economic goals makes the proper implementation of currency policies difficult.

3. Insufficient currency policy rigidity and lack of a self-regulation mechanism. The formulation of currency policies has to follow objective economic laws, and it must be self-regulating as development of the economy changes. However, since monetary departments have little independence in the implementation of currency policy, since currency policy rigidity is inadequate, and since the self-regulation mechanism system is not fully developed, frequently it becomes impossible to stand up to administrative interference and such pressures from many quarters for the formation of a real credit fund supply system. This leads to steady inflation in the scale of credit. Within the monetary system too, a tendency toward widening of scale also exists.

4. Incompleteness of central bank currency policy operating methods. The central bank functions both in formulating policy, and in carrying out policy. It is the main gate and the controller of the supply of currency in society. In recent years, the incompleteness of currency policy operating methods has disturbed, to a certain extent, the currency policy transmission mechanism.

5. Imperfection of the current policies, systems, and self-limiting mechanisms of specialized banks. From a policy standpoint, some rules and regulations of specialized banks today harm implementation of national currency policies. The interest contract responsibility system, for example, has led to specialized banks expanding the scale of credit in order to make excess profits. When the money supply is being tightened, in order to reduce pressures on their own money supply, specialized banks frequently pass along to the central bank their shortfalls. This forces the central bank to abandon its set currency policy objectives and passively expand the issuance of currency. From a management system standpoint, specialized banks are under dual leadership of both the central bank and banks at higher levels. Because of slowness in making a mental change from the old to the new management system, frequently too much emphasis is placed on fulfilling tasks within the system to the neglect of central bank lateral macro-economic regulation and control.

6. Overly vigorous social demand and other structural contradictions are one of the economic factors that cause malfunctioning of the central bank currency policy transmission mechanism.

7. The central bank currency policy transmission mechanisms both lacks support in the form of monetary legislation, and also has problems in failing to rely on existing laws. In China today, the central bank's macro-economic regulation and control methods are mainly administrative and economic in nature. There are no completely systematic complementary legal methods. Such laws as do exist are not enforced severely and vigorously in practice. This results in a bad situation in which there are no laws on which to rely, and failure to rely on existing laws in the enforcement of central bank currency policies.

8. Failure of the qualified of financial cadres to keep pace with needs in the development of the economic and financial situation causes mistakes in carrying out currency policies. Since the country's financial cadre corps is not top flight, lacks a profound knowledge of currency policies, and does not carry out policies vigorously, in addition to the corrosiveness of unhealthy tendencies in society, quite a few problems occur in the currency policy operating process. As a result, the currency policy transmission mechanism cannot play the role it should.

To summarize the foregoing, various problems do indeed exist today in the central bank currency policy transmission mechanism. Improvement of the currency policy transmission mechanism for a strengthening of central bank regulation and control functions is extremely urgent.

### Report on Fine-Tuning Measures in Banking System

90CE0483A Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 8, 4 Aug 90 pp 12-14

[Article by Lin Zhenxiong (2621 2182 7160), Zhang Bingquan (1728 4426 0356), and Liu Xingya (0491 5281 0068): "Complete Readjustment Measures To Advance Economic Growth—Survey of the State of Enforcement of Financial Fine-Tuning Measures"]

### [Excerpts] [passage omitted] Initial Results Obtained Since Enforcement

On 14 March, five main banks convened a joint telephone conference during which five fine-tuning measures were adopted to stabilize and develop the economy. [passage omitted]

1. Credit investment has increased, and the orientation of investment is more rational than formerly. As of the end of May, bank credit in Changzhou City had increased from 45.5 million yuan at the beginning of the year to 260 million yuan, and loans by all banks in the city had increased by 95.96 million yuan. In the investment of funds, all banks diligently carried out the principle of "insuring the completion of key projects while taking care of the regular ones" for a more rational orientation of investment of funds. During April and May, every bank in Changzhou issued a cumulative 158 million in loans to industrial production enterprises.

This included the issuance of 59.13 million yuan, or 37.45 percent of total loans issued, to 65 enterprises that the province and the city had to insure or give preference in guaranteeing. They issued 66.56 million yuan in loans, or 42.5 percent of the total, to 54 city-designated key enterprises. They also issued 32.63 million yuan in loans to 114 ordinary industrial enterprises, or 20.5 percent of the total. At the same time, all banks actively supported supply and marketing, and commercial departments in the purchase of local products and agricultural means of production, and in the purchase and stocking of items used during summer to satisfy market needs.

2. City and country savings deposits increased steadily, and enterprise savings revived. [passage omitted]

Enterprise savings showed a change from the decline of the first quarter of 1989. From January through May, enterprise savings continued to rise, and by the end of May Changzhou City enterprises showed a savings balance amounting to 1.16 billion yuan, up 218 billion yuan from early 1989 in a 23.1 percent increase. The salient points were as follows: 1) Several key tilt investments that the bank made during the fourth quarter of 1989 and during 1990 increased the vitality of large- and medium-sized enterprises. 2) The bank infused start-up funds to help enterprises clear their "triangular debts." Some enterprises recovered a portion of their loans, foreign trade corporations alone recovering 61.81 million yuan from 77 production enterprises clearing of their debts. 3) Banks revived entrusted collection and payment, increasing the amount of funds recovered from sales of goods.

3. The downward readjustment of loan interest rates reduced enterprises' interest burden. Banks at all levels did a rather good job of carrying out People's Bank main branch and provincial branch bank policies of reducing savings and loan interest rates, improving control over interest rates, and lowering floating interest rates and penalty interest. At the same time, they unified city and country savings account interest rates, abolishing the 20 percent rural savings account interest rate increase regulation, thereby staunching the flow into rural villages of urban savings. A 1.26 percentage point lowering of loan interest rates somewhat lightened enterprises' interest burdens. As a result of Changzhou City's 21 March lowering of loan interest rates, enterprises paid 16.66 million yuan less in interest during the three month period ending 21 June. An example was the Mahang Silk Mill in Wujin County, which had a bank loan balance outstanding of 19.732 million yuan as of the end of April. Following the lowering of the interest rate, it is estimated that the mill will pay 247,000 yuan less interest each year.

4. Helping enterprises clear up their "triangular debt" freed some funds. As of 9 June, banks at all levels in Changzhou City invested 91.51 million yuan in start-up funds, and cleared up 320.87 million yuan in loans owing, which played a definite role in maintaining and advancing moderate growth in production.



5. Beginning on 1 April, the bank revived entrusted collection and payment settlement procedures, which helped organize the recovery of funds. After more than two months, it appears that revival of entrusted collection and payment has played a definite role in reducing enterprises' debts to each other.

6. More timely regulation of central bank credit. Following the principle of a "separation of bridges and roads," [qiao lu fenkai 2890 6424 0433 7080] first half of the year short term credit recovery work was actively completed. At the same time, in order to relieve specialized bank's temporary tight money problems, short-term loans were allocated on a case by case basis. From January through May, the Changzhou Municipal People's Bank system recovered a total of 490 million yuan in short-term loans and issued a total of 388 million yuan in short-term credit. In addition, acting on instructions from higher authority, they recently converted 55.5 million yuan in short-term credit to specialized banks to annual loans, thereby enabling the specialized banks to extend somewhat the period of loans to enterprises for a lightening of some enterprises' interest burden.

Thanks to the combined effect of vigorous readjustment of austerity measures, and greater flexibility in financial fine-tuning measures, as well as the various policy measures that the central government adopted to promote industrial and agricultural production and market consumption, Changzhou City's economic circumstances gradually took a turn for the better. Industrial production rose each month (growing 1.1 percent in January, 2.4 percent in February, 2.3 percent in March, 3.7 percent in April, and 5.18 percent in May); the economic structure became increasingly rational; urban areas did better than counties; enterprises under ownership of the whole people did better than collective enterprises; and collective enterprises did better than township and town enterprises. Markets became flexible, and returns from the sale of commodities steadily increased. In Changzhou City, cash recovered from the sale of commodities increased 9.9 percent in March, 10.4 percent in April, and 11.2 percent in May). Foreign trade increased, exports expanding steadily. Domestic purchases for foreign trade from January through May were 33.9 percent greater than during the same period in 1989, and foreign exchange earnings from exports of \$17.7 million were substantially greater than during the same period in 1989. A bumper crop was harvested in agriculture, gross output of summer crops reaching an all-time high. State wheat purchases will likely exceed 300 million jin, and more than 5 million jin of rapeseed will also be purchased. Government financial receipts were more than 100 million yuan, slightly higher than for the same period in 1989.

#### **Main Problems in the Process of Implementing Fine-Tuning Measures**

[passage omitted] Overall, all quarters report the main problems as follows:

1. Local governments and some enterprises believe the readjustments have not been sufficiently strenuous.

Loud cries continue about scale and the serious shortage of funds. Despite the large scale investment of funds during 1990, faced with a continued market slump, slow speed growth of production, and a decline in economic returns, local governments and enterprises, as well as units in charge of them, hold greater expectations of the banks. They hope that continued loosening of the money supply will ease the tight money situation brought about by the large scale accumulation of products in inventory in order to sustain production and maintain stability.

2. Recovery of credit funds remains larger than recovery of funds through the sale of commodities. Markets are moving slowly, and amounts of social commodities in storage are overly high. As of the end of May, Changzhou City had recovered a net total of 147 million yuan, 309 million yuan more than during the same period in 1989. It was recovered fairly fast and ahead of schedule. Mostly the recovery of credit funds has increased tremendously, while increase in funds recovered through the sale of commodities remains fairly small. During the first quarter, increase in the city's savings income as a percentage of the amount of increase in total cash income went from 23.55 to 50.79 percent, but recovery of funds through commodity sales as a percentage of total cash income fell from 22.7 to 18.44 percent. Because of increased recovery of credit funds, the recovery of funds through the sale of commodities slumped. Financial fine tuning measures were not coordinated with the economic operating mechanism, thereby weakening the role of monetary policy in giving impetus to the economy. Markets moved rather slowly, and social commodities in inventory remained fairly high. As of the end of May, 918 million yuan worth of commodities in the business, materials, and supply and marketing systems throughout the city were tied up in inventory. This was 10.83 percent more than during the same period in 1989, and a 9.7 percent increase since the beginning of the year.

3. Results from the clearing up of "triangular debt" are not evident, and the entrusted payment and collection method of settling accounts requires improvement. Changzhou City took positive action in the clearing of "triangular debt" from which it has gained some results. Nevertheless some grassroots level banks and units in charge of enterprises report the following about clearing up debts: 1) When enterprises default on payment, and banks settle accounts, this may engender a psychology of dependence in enterprises. 2) Since some measures are not complete, settling of accounts amounts to relieving the symptoms rather than curing the root causes. Until such time as economic order has been restored to normal, clearing of indebtedness only to go into debt again will likely occur.

Following revival of the entrusted payment and collection method of settling accounts, enterprises reacted coldly. They did not have much hope that entrusted payment and collection would resolve the arrears

problem. Their reasons were as follows: In order to be able to have more funds available, some enterprises whose products sell well do not want entrusted payment and collection. They continue to use the method of borrowing against anticipated receipts. Moreover, some enterprises that work in concert, or whose market sales are not booming and have to look to the other party for help in making sales do not dare use entrusted payment and collection.

4. Dwindling investment in technical transformation, and insufficient reserve strength for enterprise development. As a result of state control over the scale of investment in fixed assets during the past two years, insufficient funds have been invested in technical transformation. Consequently, enterprises have been hard put to advance technologically and to readjust their product mix. In 1989, Changzhou banks issued credit totaling 244.43 million yuan for technical transformation, 50.2 percent less than in 1988. The total amount of loan funds recovered during the first quarter of 1990 was 30.77 percent less than during the same period in 1989. This tremendous decline in loan repayments has made difficult the issuance of technical transformation loans. In addition, the steady decline in enterprise's economic returns as a result of numerous factors such as the market slump increasingly reduces sources of funds for technological transformation, thereby damaging enterprises' reserve strength for development. Reportedly, retained profits of Changzhou enterprises under ownership of the whole people covered by the local government budget were only 92.95 million yuan in 1990 for a 42.4 percent decline from 1989. The shortage of self-provided funds has become a glaring contradiction for enterprises. These enterprises show an 11.582 million deficit in funds for technological renovation and transformation. Most enterprises having heavy technological transformation outlays show a deficit.

5. The fairly small lowering of loan interest rates has not had much effect in promoting production and encouraging consumption, yet it has had a very great adverse effect on bank operations. Even though the reduction of loan interest rates lightened the interest burdens of some enterprises, since the degree of decrease was not great, interest rates as a percentage of product costs was very small and some enterprises did not notice the difference at all. Therefore, from local governments to enterprises, cries for a lowering of loan interest rates and for preferential interest rates are still very loud. Furthermore, the lack of different loan interest rates for different purposes hurts the policy of treating different kinds of enterprises differently; consequently, some business, materials, and supply and marketing units are not much interested in "reservoir roles."

The effect on enterprises of the lowering of loan interest rates was not great, but the reaction from enterprises, particularly city and rural credit cooperatives was intense. This was because in the actual operating process, once loan interest rates are lowered, a lowering of savings account interest rates will follow. This means that during

1990 receipts from loan interest will be small, yet interest payments on savings will not diminish. Second, once interest rates on savings accounts are lowered, banks interest payments on deposits made before 15 April will not decrease, while interest paid on loans will be those following the lowering of rates. This will increase credit fund costs and damage the returns of financial institutions. Not only will this be definitely detrimental to state banks that practice profit retention methods, but it will have a particularly adverse effect on city and country credit cooperatives of a collective nature. Because of the overly high cost of money, some cooperatives will incur losses and the extent of their losses will increase. Take the prevailing one year time deposit and loan interest rates, for example. At first glance, deposit and loan interest rates appear the same, both being 10.08 percent. However, since tax units have ruled that lending institutions are to pay five percent of loan interest income in taxes, this means that the actual loan interest rate that the lending institution receives is 9.576 percent. Direct costs of savings run no less than 2.64 percent, so the actual interest rate for savings is actually 12.72 percent for the paying institution. Thus, there is actually a 3.144 percent inversion between savings and loan interest rates. At this rate, for every million yuan in loans that a credit cooperative issues, it incurs a 31,400 yuan loss.

6. The decline in enterprises' economic returns, and the steady increase in the extent and amount of losses directly damages enterprises' vitality and turnover of funds, and also increases enterprises' dependence on credit. From January through April, sales income of 215 industrial enterprises in the Changzhou metropolitan area was 1.713 yuan, up 8.8 percent from the same period in 1989; however, their profits were 74.24 million yuan, down 16.35 percent from the same period in 1989. The profit and tax rate on funds fell 1.58 percent from the same period in 1989. The fall in economic returns directly impairs the turnover of funds. As of the end of May, turnover of quota circulating funds in these 215 industrial enterprises took 95.09 days. This was 10.65 days slower than during the same period in 1989. The more money involved, the longer the turnover period, and the greater the interest payments, all of which increase enterprises' losses. From January through April, 875 of the city's 2,589 industrial enterprises showed a loss. The extent of their losses was 11.1 percent greater than during the same period in 1989, and the amount of their losses was 55.28 million yuan, up 42.18 percent from the same period in 1989. This has heightened demand for funds, increasing dependence on bank credit. [passage omitted]

#### Guangzhou Financial Market Doubles Transaction Value

OW2909164790 Beijing XINHUA in English  
1228 GMT 29 Sep 90

[Text] Guangzhou, September 29 (XINHUA)—Business volume at Guangzhou's financial market reached 294 million yuan in the first half of this year, two times last year's figure.

The city first opened its financial market at the end of 1987. Now there are 33 stock exchange markets and 38 trading centers.

The trading activities are centered on treasury, construction and corporate bonds.

Citizens in Guangzhou not only buy and sell treasury bonds issued by the state, but also invest in other bonds with high interest rates.

The seven million yuan of additional 1990 treasury bonds issued by the People's Construction Bank of China, Guangdong Branch, in the middle of September were sold-out in four days.

## INDUSTRY

### Heilongjiang Industrial Downturn Analyzed

91CE0035A Harbin HEILONGJIANG RIBAO  
in Chinese 16 Sep 90 p 2

[Article by Li Jie (2621 2638), Liu Xin (0491 0207): "Causes and Countermeasures for the Decline in the Economic Effectiveness of Heilongjiang's Industry"]

[Text] With the decline of industrial production in the province, economic effectiveness has decreased notably. This trend still persists this year.

#### I. The Current State of Industrial Economic Effectiveness

In the 11 years since reform began, Heilongjiang's gross value of industrial output increased on average by 7.9 percent annually. During the same period, however, total profits and taxes increased on average by only 1.2 percent annually, because of a drastic increase in the amount of losses in 1989 incurred by enterprises who ran deficits.

1. Major indices show that economic effectiveness has gradually diminished every year since 1978. The decline is exceptional this year. In the first half of 1990, profits of all enterprises at the county level or above which use independent accounting were 282 million yuan less than the 689 million yuan they had in the same period in 1989. Total profits and taxes were 2.854 billion yuan, a decline of 931 million yuan, or 24.6 percent.

2. The gap between provincial and national standards widened. In 1980, the province's gross value of industrial output ranked sixth nationally, but dropped to 11th in 1989. Total profits and taxes dropped from fourth to 14th place nationally. The ranking of realized profits and taxes on each 100 yuan fell from sixth to 27th; profits earned per 100 yuan worth of output fell from fourth place to 28th; realized profits and taxes per 100 yuan worth of output fell from first place to 24th; realized profits per 100 yuan worth of sales revenue fell from first to last place nationally.

Costs rose and losses skyrocketed. Between 1986 and 1988, industrial enterprises incurred losses between 400 and 500 million yuan. Losses in the first half of 1990 were as high as 1.529 billion, 48.1 percent higher than in the same period last year.

#### II. Major Causes for the Decline in Industrial Economic Effectiveness

The factors leading to the decline in industrial economic effectiveness in recent years are multifaceted and multidimensional.

Viewing the situation objectively, one finds that:

1. Losses resulting from the effects of irrational prices accounted for about 70 percent of total losses in the province. The oil and coal industries were responsible for a relatively large share of these losses. Although the price of oil and coal has been adjusted upward slightly in recent years, the rise has not been able to offset higher costs. therefore, losses still increase. In 1989, losses in these two industries reached 1.611 billion yuan, which accounted for 71.8 percent of the province's industrial losses. In the first half of 1990, they lost 911 million yuan, 24.3 percent more than in the same period in 1989, which accounted for 59.6 percent of the province's industrial losses for the period.

2. Price increases of raw materials were extremely large, and enterprises found them hard to absorb.

3. Manufactured goods were greatly overstocked, capital stagnated, and debts between enterprises persisted.

Viewing the situation subjectively, one finds that:

1. Blind construction led to the idling of large amounts of production capacity.

2. There was an undue emphasis on speed and a neglect of economic effectiveness.

3. Enterprises had low operational and managerial levels, and products consumed a lot of materials and were low in quality.

#### III. Future Countermeasures

Although we presently face quite a few difficulties, there is hope for improving economic effectiveness if we can strengthen the leadership in economic work, support and focus on raising economic effectiveness, improve the economic structure, perfect enterprises' operating mechanisms, and tap the inner potential of enterprises.

1. Truly support organized production which focuses on improving economic effectiveness, and maintain a reasonable rate of development. This year, public finance and banks have implemented tight policies. Increased investment in energy and other areas will show not any noticeable effects in the short term. However, if we utilize existing resources well and if the nation's general situation improves, then the province's industrial production may gradually leave the downturn behind, and

maintain an appropriate rate of increase. Between January and July, the province's gross value of industrial output decreased by 2.4 percent. That of industries owned by the whole people decreased by 2.9 percent, and that of collectively-owned industries decreased by 0.2 percent. Industrial enterprises owned by the whole people comprise the major part of the province's economy, and they are a strong technological force. In general, the economic effectiveness of industries owned by the whole people is much higher than that of collectively-owned industries. Thus, it is reasonable to take forceful measures to give priority to developing large- and medium-sized industrial enterprises which are owned by the whole people, while restricting development of small enterprises that compete with large enterprises for raw materials and capital, and that have high consumption and waste. Thus we may ensure that the general rate of development is maintained at an appropriate level, and can finally attain the goal of turning the province's industrial economy onto a road of development which focuses on raising economic effectiveness.

2. Improve enterprises' operating environment, and fully utilize existing enterprises. First, assist enterprises in all possible ways to overcome the problem of a lack of circulating funds. To enable enterprises to clear their "triangular debts," ensure that funds circulate in a normal way. Second, handle and clear out inventory in warehouses in a planned manner. Pay special attention to those products that are seriously overstocked, in order to get stagnant funds circulating again. Third, strengthen management of prices. Arbitrary prices will naturally lead to confusion in the economic order. Therefore, prices must be controlled and handled properly and firmly.

3. Perfect enterprises' operating mechanisms and promote efforts to tap their potential and increase revenue. All contract enterprises should be inspected and audited in the near future. Contract base standards and incremental proportions which are clearly unreasonable must be readjusted. Enterprises should be directed to make the state's interest and the overall situation their major concern, strengthen management, tap their potential, reduce costs, raise product quality, and sincerely work to increase economic effectiveness.

#### **Tianjin Zone Plans S&T Development Fund**

*OW1411181090 Beijing XINHUA in English  
1315 GMT 14 Nov 90*

[Text] Tianjin, November 14 (XINHUA)—A science and technology development fund aimed at encouraging foreign investors to invest in hi-tech projects and technical updates of existing enterprises will be established in the Tianjin economic and technological development zone.

Local officials told XINHUA that the fund will be supported by financial allocations from the zone itself, and by money donated by enterprises and individuals.

The officials said that all enterprises registered in the zone may apply for the fund.

The zone's third development plan also designates a one-square-kilometer area for hi-tech industries.

At present only five percent of the zone's 203 enterprises are hi-tech ventures, said the officials.

#### **Technical Upgrades Boost Nonferrous Metals Industry**

*OW1511083390 Beijing XINHUA in English  
0739 GMT 15 Nov 90*

[Text] Beijing, November 15 (XINHUA)—Revamping aged enterprises with advanced technologies has injected vigor into China's nonferrous metals industry, which has greatly improved its output over the past few years.

The PEOPLE'S DAILY reported today that last year the industry turned out almost one million tons more than in 1983.

About 75 percent of the increased output resulted from the technical renovation of old enterprises, according to the report.

The paper listed the example of the Hulu Island Zinc Plant in Liaoning Province. The plant turned out only 60,000 tons of zinc from the late 1940's to 1984. But over the past six years its output reached 160,000 tons.

In addition, many other enterprises have upgraded their export goods and earned more foreign exchange, according to the paper.

#### **New Shipyard Established in Dalian**

*SK1611150590 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 15 Nov 90*

[Text] With the approval of the State Council, our country's large-scale modernized ship general assembling plan, the new Dalian shipyard, was recently established. The new Dalian shipyard is located in the new Xianglujiao area of the Dalian shipyard where the harbor is deep and is ice-free all year round, and where there are not many waves. It has a loading and unloading area of more than 1 million square meters. At present, the half-covered shipway with a capacity of 100,000 tons, a special berth for off-shore oil drilling projects, and China's largest 580-ton gantry crane have formed a supporting production capacity. A 200,000-ton dock, the largest in the country, is under construction. After it goes into operation, it can undertake the loading and unloading tasks of more than 200,000 tons of large vessels. This will move our country's ship-building capacity into a new stage, and we will join the front ranks of world ship-building.



### Shoudu Iron, Steel Increases Profits 20 Percent

HK1911034190 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 19 Nov 90 p 4

[Text] The Shoudu (Capital) Iron and Steel Corporation, one of China's five largest metallurgical complexes, enjoyed a steady increase in its profits during the first 10 months of this year.

During that period, the corporation earned 1.77 billion yuan in profits, an increase of 20 percent over the same period last year.

Over the past 11 years, the corporation's profits have increased by 20 percent a year.

Its net profits this year, excluding taxes, are expected to reach 2.27 billion yuan, according to the corporation's plan.

This money has been made at a time when most metallurgical enterprises earned less profit due to rising production costs and the slump in the market this year.

The country's metallurgical industry earned 41.7 percent less profit during the first nine months of this year compared with the same period last year.

Meanwhile, a corporation official said, the corporation had met the production target set by the government 56 days ahead of schedule.

During the May-September period, he said, the average daily output of steel, pig iron, and rolled steel each amounted to more than 10,380 tons despite the shortage of raw materials and funds.

The corporation's No. 2 Steel Wire Plant, which installed a second-hand machine from Belgium, had produced 45,000 tons of steel wire by November 3, the official said.

The total annual output of the plant was eventually expected to exceed 600,000 tons, the highest any single steel mill has ever reached in the world, he said. This set of machines produced only 400,000 tons at its peak in Belgium.

The official attributed the corporation's success to the introduction of the contractual system which had succeeded in motivating the workers. The corporation was China's first large State-run enterprise to adopt such a system.

Since the system was introduced in 1979, the official said, the corporation's productivity had increased at an average annual rate of 13.3 percent, the fastest in the world.

## FOREIGN TRADE, INVESTMENT

### Increased Trade With Japan Discussed

91CE0004A Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 8, 30 Aug 90 pp 27-28, 26

[Article by Ouyang Feng (2962 7122 7364): "On Attracting More Direct Japanese Investment and Increasing PRC Exports to Japan"]

[Text]

I

Japan's favorable balance of foreign trade has been growing rapidly since 1985, when it was \$52.1 billion. Despite the fact that Japan decided to sharply revalue the yen to prevent trade friction with the U.S. and other Western countries after the five-nation conference of finance ministers in September 1985, its favorable balance of trade continued to rise in 1986, reaching \$82.8 billion. As the facts had proved that revaluing the yen without also putting into effect policies to increase domestic demand, not only was unable to achieve the desired result of shrinking the favorable balance of trade, but also created a series of domestic imbalances, such as increased unemployment, Japan found it necessary to increase domestic demand and reform its system of structural surpluses along with revaluing the yen. Although the Japanese government had taken steps five times since December 1981 to open up its domestic markets and had drawn up a three-year plan to increase imports, it was only after the "Qianchuan Report" came out in April 1986 that the Japanese government finally put into effect specific financial, banking, and structural policies to increase domestic demand. At the end of 1989, the Japan expert, Chansheng, organized low-interest loans by the Japanese Import-Export Bank, the Japanese Development Bank, and small- and medium-sized enterprise banks for importing foreign goods. The above-mentioned series of efforts are now beginning to pay off. Table 1 shows that while Japanese imports experienced negative growth in most of the years from 1980 through 1986, the situation for the three years from 1987 through 1989 was greatly improved, with the average growth rate for imports being in double digits, which lowered Japan's favorable balance of foreign trade.

Table 1. Japanese Imports for 1980 Through the First Six Months of 1989 (in \$100 million)

Year	1980	1981	1982	1983	1984	1985	1986	1987	1988	The First 6 Months of 1989
Imports	1,405.3	1,433	1,319.3	1,263.9	1,365	1,295	1,264	1,495	1,823	1,044
Growth Rate		2%	-8%	-4.2%	8%	-5%	-2.4%	18.3%	22%	14.5%

## II

Although PRC-Japanese trade has expanded sharply since we began to reform and open up to the outside world, and our bilateral trade turnover had increased from \$4.823 billion in 1978 to \$16.47 billion by 1987, our exports to Japan still seem insignificant in relation to Japan's market capacity or import volume. Japan's final nongovernmental consumer volume reached \$1.369 trillion in 1987, second only to that of the U.S. and, although PRC exports to Japan reached their highest percentage of all Japanese imports between 1980 and 1987, they were still only 4.33 percent. Moreover, while over 70 percent of PRC exports to Japan are primary products, such as oil, coal, and farm by-products, 70 percent of the other 30 percent, which are manufactured goods, are low added-value textiles.

Japan has become increasingly valued as an export market by all countries and regions throughout the world. British exports to Japan rose 25 percent between 1986 and 1987, which changed the official and nonofficial British concept that "Japan was a closed market." In order to achieve its three-year plan to double its exports to Japan, the British government has set up a special Japanese Export Office in its Department of Industry and Trade. Nor has Hong Kong given up on the huge potential Japanese market. Hong Kong has been launching continuous export offensives against the Japanese market in recent years, such as its activities in Japan to open up Japanese markets to products "made in Hong Kong," and the Hong Kong commodity sales exhibitions held in several large Japanese department stores in March 1988, which were hosted by a large Hong Kong foreign economic relations and trade group led by the governor of Hong Kong. It is understood that Hong Kong exported 53 percent more products to Japan in 1987 than in 1986. The PRC has also conducted certain activities to open up Japanese markets in recent years, such as the Chinese Commodity Exhibition held in Tokyo in 1986, and a similar one held in Osaka in 1987. I think that if we want to take full advantage of the opportunity of Japan's having increased its domestic demand, so that we can expand PRC exports to Japan, in addition to taking conventional trade steps, such as improving our product quality, taking full advantage of Hong Kong's role as a transfer port, and setting up foreign trade enterprises or agencies in Japan (the over 30 such enterprises and agencies which the PRC already has in Japan are playing a large sales promotion role), we should also take active steps to attract direct investment in the PRC by Japanese businessmen. It would be hard to ignore the trade impact of such direct investment.

## III

The 558 Japanese-invested projects in the PRC and their agreed investment of \$2.774 billion accounted for 4.3 percent and 10.6 percent, respectively, of all foreign-invested projects and all direct investment by foreign businessmen in the PRC from 1979 to September 1988, ranking third behind only Hong Kong and the U.S.

About 70 percent of these projects were Sino-Japanese joint ventures, and more than 50 percent of their funds were used for cooperative development. From an industry prospective, more than 50 percent of the projects involved production.

One of the PRC's aims in attracting foreign investment, is to expand our exports to earn more foreign exchange for the state. A survey of eight Japanese-invested "three kinds of foreign trade" enterprises in Shenzhen, which was conducted jointly by Shenzhen University's SEZ Economic Research Institute and Japan's Kumamoto Business College's Academy of Foreign Affairs in August 1987, found that the export rate of only the Huaqiang-Sanyo Electronics Company, Ltd., had reached 70 percent; those of four other enterprises were 50 percent, 40 percent, 10 percent, and 5 percent, respectively; while the other three enterprises sold all of their products in the PRC. As these enterprises depended on imports for quite a lot of their raw materials and parts replacements, it was hard for them to maintain a basically favorable balance of foreign exchange, which only the Huaqiang-Sanyo Electronics Company, Ltd. was able to do. As Japanese-invested enterprises in the PRC exported so few of their goods, their rate of resale to Japan was bound to be even lower. Statistics show that 36.1 percent of the merchandise manufactured by Japan's overseas enterprises in 1980 was resold to Japan. The resale rates of Japan's overseas resource development enterprises, represented by the farming, forestry, and fishery industries, and also the mining industry, were the highest at 51.9 percent and 60.5 percent, respectively, while that of the manufacturing industry was only 11.2 percent, except for the timber and pulp industry, which was 41.5 percent. The product resale rate of Japan's manufacturing enterprises in Taiwan reached a high of 22 percent in 1983. Japan's product resale rate from other Asian countries also reached 16.7 percent in 1987. Although the PRC still has no statistics in this area, an overall analysis of data from all areas shows that Japanese-invested enterprises in the PRC have a low product resale rate. On one hand, this could be due to the fact that, since what Japanese enterprises valued from the beginning was the PRC's huge domestic market, in order to win approval from concerned PRC departments to invest and build factories, they often set very high resale rates in contracts, while certainly not being too interested in exports in practice. This tactic of "making concessions in order to gain advantages," exploited a loophole in our poor management of foreign investment. On the other hand, as Japanese-invested enterprises have not been in the PRC very long, Japanese consumers are not yet familiar with their products. Although Japanese consumers have always been mesmerized by products made in Japan, while being comparatively suspicious of imports, their attitudes have changed somewhat, and they are now tending to begin to buy those made by Japanese-invested enterprises abroad. This is not only because such products are much less expensive, but also due to the psychological factor that Japanese think that the quality of products produced with Japanese help will

definitely be up to standard. In addition, as the Japanese government has been promoting an internationalized life style outside of its major cities in recent years, the interest of local Japanese consumers in foreign merchandise has greatly increased in this "internationalization" process.

In order to open up the huge potential Japanese market through Japanese investment in the PRC, we could emphasize the following tasks:

1. We could rework a series of policies to limit domestic sale of products made by Japanese-invested enterprises in the PRC (including those made by other foreign-invested enterprises), and encourage their export or resale. Although products made by Japanese-invested enterprises in the PRC have a very low resale rate, those made by some, such as the Nantong-Liwang Company, Ltd., one of the first Sino-Japanese joint ventures, and the Wenzhou-Chunyue Handicraft Company, Ltd., which went into operation in June 1989, have a 100-percent resale rate. Some Sino-Japanese joint ventures and contractual joint ventures aimed at Japanese markets, such as ones which do in-depth processing of aquatic products, make soy oil, and exploit resources, such as limestone and silica sand, have also appeared in Dalian. We should sum up our experiences and put

appropriately preferential policies into effect for these Japanese-invested enterprises which have achieved good export successes, and make specific and thorough analyses of why others rely too heavily on domestic markets, so as to help in the formulation of relevant foreign investment policies.

2. We should further enhance our investment climate and actively publicize it to Japanese businessmen. Japanese foreign investment had reached \$198 billion by the end of 1988, jumping from fifth place throughout the world in 1987 to third place, behind that of only the United States and Great Britain. Although Japanese foreign investment has always had one of the best growth rates throughout the world in recent years, being over \$30 billion for a growth rate of 49 percent in 1987, jumping to \$47 billion for a growth rate of 43.9 percent in 1988, and estimated to top \$60 billion for a growth rate of 35 percent in 1989, Japanese investment in the PRC has progressed slowly, which seems quite out of line with Japan's large-scale foreign investment trend. The PRC attracted only one percent, 3.7 percent, and 0.7 percent, of all direct Japanese foreign investment for the fiscal years 1986, 1987, and the first half of 1988 (April through September), respectively (See Table 2). As there is such great potential for Japanese investment in the PRC, we should strive for an increased share.

Table 2. Direct Japanese Investment in the World's Major Countries and Regions (in \$1 million)

Fiscal Year	1986		1987		The First Half of 1988 (April Through September)	
	Amount	%	Amount	%	Amount	%
U.S.	10,165	45.5	14,704	44.1	11,430	50.0
South America	4,737	21.2	4,816	14.4	2,861	12.5
Indonesia	250	1.1	54.5	1.6	30.4	1.3
Hong Kong	502	2.2	1,072	3.2	732	3.2
Singapore	302	1.4	494	1.5	406	1.8
South Korea	436	2.0	647	1.9	305	1.3
PRC	226	1.0	1,226	3.7	170	0.7
Taiwan	291	1.3	367	1.1	192	0.8
Thailand	124	0.6	250	0.7	366	1.6
Europe	3,469	15.5	6,576	19.7	4,046	17.7

Source of Data: Hong Kong HSINPAO TSAICHING YUEHKAN [HSINPAO FINANCE AND ECONOMICS MONTHLY] No 150, September 1989

### Export-Import Trade Volume Rises

OW1411140990 Beijing XINHUA in English  
0837 GMT 14 Nov 90

[Text] Beijing, November 14 (XINHUA)—China's import and export value in October reached 10.43 billion U.S. dollars, up 12.1 percent over the same month last year, according to the General Administration of Customs today.

Statistics show that China exported 5.88 billion U.S. dollars- worth of goods in October, a record high so far this year and 27.4 percent more than in the same month last year.

Meanwhile, the import value amounted to 4.55 billion U.S. dollars, about the same as that in October last year.

The customs said that in the past ten months the export volume totaled 47.25 billion U.S. dollars, a 15.7 percent increase over the same period last year.

**Guangdong Shifting Focus of Foreign Investment**  
91P30042A Beijing ZHONGGUO TONGJI XINXIBAO  
in Chinese 24 Sep 90 p 1

[Unattributed article: "Guangdong's Use of Foreign Investment Enters Period of Transition"]

[Text] In the nineties Guangdong will once again become a popular place for foreign investment. Relying on its favorable geographic location bordering Hong Kong and Macao and excellent investment environment, Guangdong's use of foreign investment is entering a period of transition.

—Shifting toward energy, transportation, raw materials, and other basic industries. After more than 10 years of painstaking efforts, the garment and tool assembling businesses and "three forms of import processing and compensation" firms begun with foreign capital advanced to a fairly high level. But because of the preponderance of industries manufacturing finished goods, the scarcity of raw materials industries, and weak energy and transportation industries, the province could not adapt well to the rapidly changing import situation. Therefore, in recent years Guangdong has made a conscious effort to review current experiences in the use of foreign capital, and things have gradually improved. Entering the nineties, along with the signing of the joint venture contract by the Shell Corp. of England investing over \$1 billion to build an oil refinery and ethylene plant in Huizhou, the Hong Kong New World Development Corp., Ltd. has invested over \$100 million for construction of the second phase of the Guangzhou Beltway, and the Zhuhai Electric Power Plant is being built with foreign bank export credits. Thus one can see that Guangdong's use of foreign capital is in the process of shifting from clothing and toy industries to energy, transportation, raw materials, and other basic industries.

—Shifting toward advanced science and technology. Today, after 10 years of hard work, the economy is quite strong and the investment environment is favorable. At the same time, Guangdong's use of foreign capital is shifting toward advanced science and technology. The "Zhongshan Torch High Technology Industrial Development Zone" was recently established in the Zhongshan-Hong Kong export processing zone for the purpose of bringing in electronic information, new materials, and other varieties of new technology as well as attracting foreign capital and facilitating the development of related products. Shenzhen, Zhuhai, and Zhanjiang have also opened similar development zones that are currently being developed by the "Association for the Promotion of Scientific and Technical Cooperation Between Guangdong and Hong Kong." Recently, successful talks were held on utilizing foreign capital to establish a large-scale shoe manufacturing base that will help introduce advanced

technology still needed by Guangdong such as metals, chemicals, and industrial design.

**Jiangsu Province Expects Growth in Exports**  
HK1911031190 Beijing CHINA DAILY in English  
19 Nov 90 p 2

[Text] Nanjing, Jiangsu—Jiangsu Province is expected to see a 15 percent increase in exports to \$2.8 billion this year, and plans to raise its annual export volume to \$4.5 billion within five years, according to a top provincial official.

At a news conference for Chinese and overseas journalists last week, Vice-Governor Gao Dezheng said that starting next year, the province would "increase participation in international trade and competition" so as to improve the overall economy of Jiangsu.

Gao said his province was already selling 1,200 kinds of products, including textiles, light industrial goods, farm produce, machinery and electronics to 138 countries and regions.

Twenty-four per cent of exports were to Japan, 21.5 percent to Hong Kong and Macao, 15 percent to the European Community and 13 percent to North America, he said.

To achieve its export aims, Gao said, the province would try to allure Japanese and South Korean business people to its port city of Lianyungang for entrepot trade.

Gao said the province would make concerted efforts to set up economic development zones in Nantong, Lianyungang, Kunshan and Nanjing.

It would also improve industrial infrastructure by building expressways connecting Nanjing with Shanghai, Lianyungang and Nantong. A total of 23 berths in four ports were to be expanded to receive freighters of 10,000 dwt.

In addition, Jiangsu would build a group of new power plants with a total installed capacity of 4 million kilowatts, Gao said.

He said the province would seek loans from foreign governments and the World Bank, attract more direct investment from foreign businesses and have more cooperation with international conglomerates.

"We'll persuade foreign business people to develop industries on leased tracts of land," Gao said. Jiangsu has approved nearly 2,000 foreign-funded projects with contractual foreign investment totalling almost \$2 billion. Some 460 of the firms are already in operation.

Last year, the industrial and agricultural output of Jiangsu reached 302.9 billion yuan (\$64.3 billion), accounting for 10.6 percent of the nation's total.



### **Liaoning Reports Export Achievements**

SK1411135890 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 13 Nov 90

[Text] By the end of this October, Liaoning Province earned \$4.48 billion in foreign exchange through foreign trade or export and prefulfilled its export plan by two months, surpassing the export standard achieved in 1989. Shenyang City earned \$220 million in foreign exchange through exports and Dalian City, \$550 million of foreign exchange. Both of them surpassed the state export assignments by more than one time.

### **Plants in Liaoning Receive Foreign Loans for Import**

SK1411132090 Shenyang Liaoning Provincial Service  
in Mandarin 1030 GMT 13 Nov 90

[Text] On 13 November, the Liaoning provincial branch office of the Bank of China formally signed an agreement with the Fushun organic chemical industrial plant and the Fushun organic glass factory on transferring the credits provided by foreign buyers. According to the agreement, the Bank of China will formally hand over 55 million francs provided by the French buyers for credit to the Fushun organic glass factory and \$13.95 million provided by the Italian buyers for credit to the Fushun organic chemical industrial plant. Both the factory and plant may use the credits to import the complete set and precise equipment and technologies of production. Imports in this regard are one of the key projects designed by the province during the Seventh Five-Year Plan period. By using these imported equipment and technologies, the output value realized by the organic chemical industrial plant is expected to reach 80 million yuan; the profits and taxes, to reach 35.47 million yuan; and the annual volume of foreign exchange, to reach \$4.8 million. By using these imported equipment and technologies, the annual output value realized by the organic glass factory may reach more than 109 million yuan; the annual profits, 57.14 million yuan; the annual taxes, 19.9 million yuan; and the annual volume of foreign exchanges, \$7.5 million.

### **Shandong Increases Export Volume**

SK1411092090 Jinan Shandong Provincial Service  
in Mandarin 2300 GMT 12 Nov 90

[Summary] Shandong Province has witnessed a good trend in foreign export trade, prefulfilling the annual export plan by two months. The actual export volume reached \$2.956 billion by the end of October. In the first 10 months of this year, the province's export of manufactured products increased by 20 percent over the same period last year. The rate of fulfilling export contracts raised by 5.5 percentage points over the same period last year.

### **More Overseas Funds Flow Into Shanghai**

OW1511122190 Beijing XINHUA in English  
0754 GMT 15 Nov 90

[Text] Shanghai, November 15 (XINHUA)—In the past ten months some 161 more overseas-funded enterprises with an investment totalling 220 million U.S. dollars were licensed here, according to a local official here today.

Statistics reveal that 94 percent of the total investment, or over 210 million U.S. dollars, was put into 150 industrial projects, 93 percent of the total.

By the end of last month there were 870 overseas-funded enterprises in the city, with a total investment of 2,730 million U.S. dollars. Hong Kong investors top the list, with a total investment of 760 million U.S. dollars; followed by the United States, with 660 million U.S. dollars; and Japan, with over 400 million U.S. dollars.

The past ten months also saw increases in investment from the Netherlands, Taiwan, France, Thailand and Canada. There were also newcomers from Switzerland, the Philippines and Australia.

### **Bank Raises \$25 Million for Shanghai Investment Fund**

OW1811164990 Beijing XINHUA in English  
1453 GMT 18 Nov 90

[Text] Shanghai, November 18 (XINHUA)—The Paris-based Banque Indosuez has raised 25 million U.S. dollars in only four days in Shanghai, China's largest city, said chairman of the bank here yesterday.

The fund, which was set up a week ago, had originally planned to raise 20 million U.S. dollars in several weeks, said Antoine Jeancourt-Galignani, chairman and chief executive officer of the bank.

Galignani said the success shows overseas investors are confident of China.

The shares of the Shanghai Fund will be listed on the Hong Kong Stock Market.

Banque Indosuez which established its arm in Shanghai in 1898 and closed its business in 1956, has its representative offices in Shanghai, Beijing and Guangzhou and its arm in Shenzhen now.

### **Tax Revenue From Shanxi's Foreign-Funded Firms Rises**

OW1411043490 Beijing XINHUA in English  
0245 GMT 14 Nov 90

[Text] Taiyuan, Nov 14 (XINHUA)—North China's Shanxi Province received over 10.8 million yuan (2.3 million U.S. dollars) in tax revenue from foreign-funded enterprises by the end of October this year.

Figures from the provincial statistics bureau show that the amount exceeds this year's projected figure by 2.86 percent, and is 28.27 percent more than the same period last year.

The statistics also reveal that Sino-foreign joint ventures and foreign resident representative offices in the province increased rapidly. The sixteen new foreign-funded business added up the total number to 72, and provided an additional 3.95 million U.S. dollars in investment by the end of September this year.

## ECONOMIC ZONES

### Shenzhen Postpones Opening of Stock Exchange

HK1411014590 Hong Kong SOUTH CHINA  
MORNING POST (BUSINESS POST) in English  
14 Nov 90 p 1

[By Geoff Crothall]

[Text] The establishment of a centralised and formal stock exchange in Shenzhen has been put on hold because of fears in the central government that the fledgling market is growing out of control.

The exchange was scheduled to open at the end of this month and although the physical infrastructure and regulations are already in place, the central bank has still not given its formal approval.

However, the Shanghai securities market, which will deal primarily in government bonds, has been given the official go-ahead, and will open on December 19.

The market will be located on a 1,600 square metre floor in the Pujiang Hotel on the Bund, the financial centre of old Shanghai.

Shenzhen will now probably have to wait until the Shanghai market is fully established and making a positive contribution to the development of the economy before it will receive approval for its own centralised market, economists say.

"Certain people in the central government have clearly been very alarmed at what has been happening in Shenzhen this year and are determined not to let the situation get out of hand," a senior Beijing economist said.

Tight controls on "outsider trading" in Shenzhen, higher stamp duties and strict limits on daily price swings have done nothing to temper the enthusiasm for stocks on the non-centralised markets in the special economic zone and prices continue to go up every day.

"The government sees the development of capital markets as a means of tapping the vast amount of money stashed away and channeling that capital into the cash-starved state sector," he said.

"What the government does not want is to create a casino-like economy, something it fears may happen if capital markets are allowed to develop too quickly," he added.

It is estimated that Chinese citizens have more than 700 billion yuan (about HK\$1.15 trillion) hidden away, while the government has so far floated 150 billion yuan in securities.

"Issuing government and state enterprise bonds is a much more reliable way of gaining access to that money that giving free rein to a volatile stock market in Shenzhen," the Beijing economist said.

"Another reason for giving Shanghai precedence over Shenzhen is the increasingly urgent need for capital to develop Pudong," he added.

### Policies Planned for Shenzhen Stock Market

OW1911154790 Beijing XINHUA in English  
1534 GMT 19 Nov 90

[Text] Shenzhen, November 19 (XINHUA)—Shenzhen, a special economic zone in south China's Guangdong Province, will adopt measures to promote and guarantee the development of its recently established stock market.

The municipal leading group of securities announced it will initiate the following measures and policies:

- Elimination of the black stock exchange and punishment for those enterprises which issue shares illegally.
- Reduction of the present one percent increase ceiling of stock prices to cool the overheated stock market.
- Reform of the present stock taxation policies.
- Opening of more bond markets to balance supply and demand.

At present, Shenzhen has the largest stock market in the country. The zone is now formulating regulations and laws governing the issuance of shares and market activity. A stock exchange center is planned.

## POPULATION

### Family Planning Among Xinjiang Minorities

90CE0291A Urumqi XINJIANG RIBAO in Chinese  
11 Jul 90 p 2

[Article by Yasheng Tuerxun (0068 3932 0685 1422 6676), director, Autonomous Region's Family Planning Commission: "Family Planning—Beneficial to Nation, Family, and People"]

[Text] Carrying out family planning is the foundation by which the CPC matches Marxist theory concerning population production and material production, an important means of resolving the current phase of China's population problem. The 12th National Party Congress

raised family planning to the level of national policy, making it one of China's long-range strategic missions. Because family planning is intended to raise the quality of the population as well as control its growth, it is therefore relevant to the prosperity of the nation and our people, and a matter of fundamental importance for generations to come. It is a great undertaking of deep significance for our socialist modernization.

Xinjiang began to promote family planning in 1975 in those cities and towns where the Han population was concentrated or which were located along transport routes. After 1980, it was promoted widely among the masses of the Han population throughout the autonomous region. In 1988, the regional government issued its "Provisional measures for minority family planning in the Xinjiang Uygur Autonomous Region," which were implemented throughout Xinjiang in 1989. Because Xinjiang adopted different approaches to its family planning work in accordance with the varying situations of different minority peoples, this principle of guidance by categories has obtained obvious achievements. The Han population birth rate dropped from 30 percent in 1975 to 11.78 percent in 1989, with over 1.2 million fewer births among Xinjiang's Han population during this period. In 1989, 43.87 percent of Xinjiang's 1,554,638 women of child-bearing age employed some means of contraception, six percent more than the year before. With a family planning rate of 76.15 percent, the birth rate among the region's minority population declined from the 25 percent of several years ago to 23.58 percent in 1989, while the natural rate of increase decreased in the same period from over 18 percent to 17.26 percent in 1989. This shows that minority couples are changing in their attitude toward family planning, and that the momentum is shifting from blind population growth to family planning.

Family planning work is extremely difficult, complicated by the fact that this work has just begun among Xinjiang's minority people, and some of the minority people carrying out this work do not fully realize the necessity and advantages of family planning. Therefore, their attitude is one of suspicion, to the point of disseminating some opinions that are damaging to fundamental national policy. We must use the facts to clear these up.

(1) Some comrades worry that "implementing family planning will decrease the minority population." This view derives chiefly from a lack of understanding of the objectives of family planning and the policies on family planning among minority peoples. China's objectives in implementing family planning are to control the size of our population, enhance the quality of the population, and bring the population increase in line with economic and social development. Moreover, family planning specifically promotes delaying marriage and child bearing, the result being fewer but better children. In this program, the overwhelming majority of our brother provinces and autonomous regions have asked that their Han people have but one child, with a second child allowed through petition in individual cases where a one child

limitation might cause hardship. In addition, the state has adopted a less strict family planning policy for minority peoples than for Han people. The "Provisional measures for minority family planning in the Xinjiang Uygur Autonomous Region" specifies that: couples in cities and towns may have two children (those in cities and towns in third and fourth class areas may have three children), and those who qualify are permitted to have three. Couples in rural villages and pastoral areas are permitted to have three children, and those who qualify are permitted to have four. Not only is this policy less restrictive than the one China currently has for the mass of the Han people, it is less restrictive than the family planning policies currently in effect for minority peoples in other autonomous regions, provinces and municipalities in China. According to the family planning policy currently in effect in Xinjiang, approximately 80 percent of this region's women of child-bearing age could average three children, and 20 percent could have four.

Population fluctuations are largely dependent on the world's replacement average: if the average couple has a birth rate of 2.1 children during their lifetime, then the population will not decrease; if the average is two children, then it will neither increase nor decrease. If it dips to 1.9 children, after several decades the population will likely have decreased. At present, Xinjiang's minority couples have a lifetime birth rate of 3.98 children. If there is strict enforcement of the region's minority population family planning policy, the lifetime birth rate per couple could not drop below 3.1 children. One would be totally justified in saying that there is absolutely no foundation for the argument that carrying out family planning among minorities will decrease the minority population.

(2) Some people say: "The minority population is only eight percent of the entire population nationally, so there should be no minority family planning." It is true that the minority population is quite small in relation to the entire population. However, according to Marxist population theory, population problems affect the overall balance of various matters relating to human subsistence and development... In the final analysis, population problems are those that are relevant to population development and economic development. If population increases are not suitable to population problems of economic and social development, regardless of whether this happens in the Han majority or minority peoples, both will subsist in varying degrees. Some aspects in which minority population development is unsuitable are even more prominent.

The first manifestation of this imbalance is in an annual decrease in the amount of cultivated land per capita. In the period right after liberation, Xinjiang had a per capita increase of 4.2 mu under cultivation, and later, due to massive reclamation of wastelands, this cultivation had increased to 6.9 mu per capita. By 1980, however, due to population growth and increased abandonment of the land, erosion, less available land for cultivation, etc., the figure had fallen to 3.4 mu, and to

3.2 mu by 1988. In the five counties and prefectures of southern Xinjiang where the minority population is concentrated, the per capita amount of land under cultivation is much lower than that for the region as a whole. In 1988, Kashi prefecture had 2.2 mu per capita under cultivation, while Hotan prefecture had 1.8 mu, and that of Kizilsu autonomous prefecture was 1.5 mu. The second manifestation is that increases in food production will be virtually synchronous with population increases. The autonomous region had 12 successive years of bumper harvests, but due to the increase in population, per capita foodstuffs decreased, rather than increased. The third manifestation is minority population makes up 61.73 percent of Xinjiang's total population, the great majority of which is concentrated in the rural villages and pastoral areas of southern and northern Xinjiang. Because family planning work began later here, child-bearing is not completely on the route to family planning. The present rate of birth control is 43.87 percent region-wide, so among minority couples of child-bearing age, there is still a high rate of unplanned births, with an average of two-fifths of minority child-births being outside of plan. One particularly noteworthy point is that our Uygur and Kirgiz minorities are concentrated in three prefectures, and of Xinjiang's 24 economically depressed counties, 17 are in these three. In addition to the inferior geographical environment, natural situation and weak economic basis of these three, an additional cause of the poverty there is the lack of family planning. In these areas, there is a worsening cycle of "the more births, the poorer the family; the poorer the family, the more births they have." This not only makes for more population than Xinjiang can handle, it will also make it hard to achieve our objectives for the end of the century. It will also have a serious negative effect on Xinjiang, especially the economic and social development of the minority peoples and the raising of their standard of living.

Some people say, "the more children the better; what does it matter what the quality of the population is?" Raising the quality of the population is also an objective of family planning. Population quality is an indicator of the people's welfare under a given mode of production. It encompasses the quality of a people's science and education as well as their ideological morality, and among these educational quality is an important indicator of how high or how low is the quality of that population. Under given modes of production, there will be different demands made on population size and quality. At present, in judging whether a nation and its people are flourishing, and whether they are progressing, one must look not just at whether the size of their population is appropriate, but also more importantly, one must take into account the quality of the nation and its people. This is why, while we are now engaged in our socialist modernization, we cannot be preoccupied with population size; the important thing is to raise the quality of the population.

Data from the 1982 census showed us that Xinjiang's minority quality was below the average for the nation as

a whole. Among the minorities, one-fourth of the population over the age of 12 was either illiterate or semilliterate, two-fifths of the people had only an elementary education, and junior middle school education was uncommon. In addition to other reasons, this situation was created by a high number of births and a heavy family responsibility. Because the minority population in Xinjiang's rural villages and pastoral areas care for their children to the age of 16, maintaining the lowest living standard requires an average annual expenditure of 250 yuan. This is more than larger families can bear. For more than a decade the nation and the autonomous region have put great emphasis on education, but economic growth has been unable to catch up to what is required by the constantly increasing population, and the nation cannot pour so much more money into educational development all at once. Therefore, we cannot raise the overall quality of society until each family practices family planning and has fewer children, so that greater energy and financing can go into raising and educating our children and the generations to come.

As the facts above show, family planning will benefit the nation, the people, the family and the individual. Even more importantly, it will be good for our children and future generations. Among the minority peoples, family planning will in the same way benefit the economic development of minority regions, will be beneficial in raising the standard of living of the minority masses, and will be beneficial in raising the quality of the minority population.

### Urumqi Population Increases by 300,000 Since 1979

91CE0078A Urumqi XINJIANG RIBAO in Chinese  
29 Sep 90 p 2

[Article by Wen Min (2429 3046): "Capital Review and Prospective: Thoughts on Coordination of Development With Urumqi Population Growth"]

[Text] Everyone knows about the crowded population of such cities as Shanghai and Beijing, but they do not know that in recent years the border city of Urumqi is also feeling this "squeeze" more and more.

On a holiday, the streets are bustling with activity, the markets are jammed with people, and the busses are packed... So, the "squeeze" also leads to problems in such areas as walking, riding, water use, housing, and making a telephone call.

The "squeeze" undoubtedly comes because the city has not kept up construction of public facilities, but we also cannot ignore population growth. According to rough statistics, between 1979 and 1989, the population of the Urumqi area, including the suburbs, increased sharply by nearly 300,000. About two-thirds of that figure were a mechanical increase, due to people moving in from areas outside of Urumqi. According to the city's overall plan, in order to comply with the capital's economic and social development, Urumqi's urban population should be



held to 1,000,080 in 1990 and 1,000,300 in the year 2000. However, its urban population already exceeds 1,000,200. At this rate of population growth, by the year 2000 people could find their living space even more confined, and the city could appear even more fatigued because it cannot bear the population burden.

This is by no means an alarmist statement, and does not merely require bringing the development rate of Urumqi's urban infrastructure more in line with the rate of population growth. Everyone can conjure up the "drag" on city life after a population expansion.

Over the past 10 years, the area of roads for motor vehicles in Urumqi has increased by 70 percent, and sidewalk area has increased by 260 percent. At the same time, the city's permanent resident population has increased by one-fourth and the floating population has increased by nearly 300 percent. Motor vehicles have increased by 170 percent, bicycles have increased by 220 percent, and cross-border traffic has increased by 240 percent. The result is that people only have an average road space of 3.74 square meters, which is 65.6 percent of the national average. The average road space per motor vehicle is 62 square meters, less than 70 percent of the national average. Less road space per person or vehicle inevitably makes for overloading and congestion on the roads. Urumqi presently has 120 percent more buses than 10 years ago and for the most part they have been changed to thoroughfare-type large capacity buses. But this rate of increase also is "drowned" out by the dramatic population increase. Presently the city's average standard bus load is twice national stipulations, operating with a serious overload.

By 1989, Urumqi's city water supply also had increased greatly from 10 years ago. But because the population increased even more rapidly, the average person now only has 500 cubic meters of water resources, about 15 percent of the national average. The city residents' average amount of water for daily use is about 80 percent of the national average, which ranks last in the nation among cities with populations of a million or more. Even though new water resources are being exploited, they are, after all, limited. I am afraid that if we wait until they are exhausted before looking into the effect of the loss of control of the population, it will be too late.

Urumqi's present housing area has increased by 240 percent over the past 10 years. The average person's living space is 7 square meters. Although this is average or above-average when compared to cities of similar size throughout the country, it also cannot be considered ample. There are presently over 1,100 families experiencing difficulties or who have no housing and have registered for housing with the city real estate office!

It is not necessary to go into detail on the inadaptability of such elements as energy sources, communications, the environment, education, health, and commercial supplies to the population growth.

As the capital, Urumqi is the political, economic, and cultural center of the entire territory and must absorb people moving in from outside. With progress in reform, opening up, and the four modernizations, this kind of migration is objectively unavoidable. But, Urumqi got a late start, lacks an urban infrastructure, and has a poor foundation. Population growth must be limited and coordinated with urban development, especially with key infrastructure development. While continuing to control natural population growth, we should work to handle and strictly control urban migration. The State Council has stipulated that the city government must implement unified administration of the urban migration population at least in accordance with the urban population growth plan. The government of the people's autonomous region also has stipulated that as a rule, with the exception of leading cadres at the county level or above and a small number of essential engineers and technicians who have approval from relevant departments, no one may transfer in. At the least, the city government will refuse to process household grain credentials for those violating these regulations. Relevant departments should resolutely enforce these regulations and change the loss of control of population migration, stopping such methods as "many heads administering" and "many hands writing comments," and ending such unhealthy tendencies in the trades as "writing comments" and "going through the back door." Urumqi can further improve functioning as a city by coordinating a decrease in the rate of population growth with improved urban development.

## AGRICULTURE

### Changes Urged in Grain Credit System

91CE0082B Wuhan JINGJI XINXIBAO in Chinese  
2 Oct 90 p 3

[Article by He Shaozhi (0149 4801 2535), director, Hubei Provincial Bank of Agriculture: "Important Choices for Getting Out of the Procurement Funds Shortage Predicament"]

[Text] For the past several years, the shortage of funds for the procurement of agricultural by-products has perplexed the country's economic life and financial life, and it has perplexed governments, banks, and procurement units at all levels as well. Although everyone has considered numerous methods and made all kinds of efforts, IOU's have not yet disappeared. Treating the symptoms without treating the disease is no way to get out of the procurement funds shortage predicament. A deep analysis of the problem has to be made in terms of the system and policies, and a way found through reform. Moreover, reform of the grain credit control system, and institution of Bank of Agriculture "unitary" management is one important way in which to solve the procurement funds shortage, and it is also a necessary choice. Ever since the banks devised a division of labor and set up specialized banks, a "two line" credit system



of control for grain has existed in the country, i.e., administration and control have been exercised by the Bank of Agriculture and the Bank of Industry and Commerce respectively, grassroots grain procurement units dealing with the Bank of Agriculture, and county or above units dealing with the Bank of Industry and Commerce. With the promotion of the rural contracting system grain procurement system reform, as well as following reform of the bank credit funds control system, the shortcomings of the "two line" credit system became more apparent and intensified. Final settlements of grain payments, and bank clearances were not conducted promptly; the funds of grain business were garnished and used for unintended purposes; missing and lost funds became a serious problem and rarely was restitution made; monitoring of loans was weak and incompetent, and the overall shortage of supply of procurement funds intensified the shortage of procurement funds.

To solve the problem of large scale draining away of procurement funds that occurred when grain businesses had accounts with two different banks, in 1989 Hebei Province set up a pilot project for reform in nine counties (or cities), including Danyang, whereby the Bank of Agriculture centrally controlled grain loans. Practice during a short period of time has shown that "unitary" control is markedly superior to the "two line" separate control. It provides strong evidence for going ahead with a change in the grain credit system.

1. It accelerates turnover of grain loans, improving efficiency in the use of procurement funds. "Unitary" control reduces the number of links in the settlement of accounts, and shortens the time required for final settlement. The amount of funds involved in final settlements fall tremendously, with virtually no payment arrears particularly for cash settlements within individual counties.
2. It effectively plugs loopholes for missing and lost funds, thereby promoting the normal circulation of enterprise funds. Following "unitary" control, there is a marked drop in funds irregularities in businesses, funds are systematically disbursed on time, and government financial make-up allocations also show definite improvement.
3. Better scheduling of grain system funds improves the supply of cash available for procurement. "Unitary" control not only enables a quicker recapture of grain sales regulation funds and their timely return for use in procurement at the grassroots level, but also helps with the scheduling and allocation of funds within the grain system, insures needs for procurement funds, greatly eases problems in the supply of cash needed for procurement, and increases the percentage of cash payments.
4. The number of disputes between specialized banks, between banks and businesses, and between procurement and marketing enterprises decreases, and both overall balance in procurement funds, and leader coordination efficiency improves.

Gradually pilot project "unitary" control has come to be understood by local governments, units in charge of enterprises, and others in the financial world. An increasing number of prefectures, cities, and counties have called for the promotion of this successful experience.

The reasons why "unitary" control over grain credit is able to effectively ameliorate the procurement funds shortage situation are primarily as follows:

"Unitary" control expresses the requirements inherent in the special nature of food as a commodity.

To a very large degree, food is not an exchange of value carried out according to the usual laws of commodity circulation. Fixed contract procurement grain is procured and allocated for sale in accordance with state command plans and at command prices. It does not enter the real market. The procurement price and the allocation sale price of grain purchased and sold at negotiated prices are also under strict administrative restrictions and strict plan control. The special properties of grain at the present time make for a highly centralized control system and a systematically unified administrative system for grain control and administration. Consequently, this poses inherent demands for centralized control over grain loans, and these demands are becoming more and more urgent.

"Unitary" control embodies the demands of grain departments' administration and accounting systems.

The grain system is an administrative entity within a county in which grain departments at the county level are accounting units, grassroots procurement units not being independent accounting enterprises. Financially, an accounts reporting system is used, and administratively county level grain departments centrally organize grain procurement and marketing, and the movement of funds. Under this administrative and accounting system, accounts maintained in two separate banks artificially keep separate the operating totality consisting of grain procurement, marketing, transfer, and storage, and keep separate the accounting entity that includes unified financial control, business management, and funds use. This leads to a disjunction among operating links, a loss of control over relations among procurement and marketing enterprises, and a weakening of regulation and control in the grain system. By contrast, "unitary" control maintains intact the administrative and accounting totality of grain enterprises, cements the organic relationship among administrative links, and improves overall movement of procurement funds.

"Unitary" control gives expressions to requirements for regulating financial procedures and for improving financial service supervision.

The "two banks control" credit system, in which the head and body were separated, prevented fund scheduling and cash flow within grain businesses, impeded smooth flow through accounting channels, and provided

a hotbed that nurtured the garnishing and diversion of funds for other purposes, thereby exacerbating the shortage of funds for procurement. In addition, under the two bank system, the Bank of Agriculture and the Bank of Industry and Commerce frequently did things differently. This gradually weakened grain business service and supervision, thereby causing an abnormal situation of disjunction between the movement of materials and the movement of funds, between commodity sales and final accountings, between bank loans and the guaranteeing of materials, and between the issuance of credit and credit control. "Unitary" control enables the whole grain system's business activities to be under supervision of a single bank. The bank can keep abreast of an enterprises operating in a systematic, complete, timely, and detailed way, creating indispensable conditions for better financial supervision. In addition, it increases the Bank of Agriculture's feeling of responsibility for raising and supplying procurement funds.

As a result of a positive analysis and deep thinking about the nine county (or city) reform pilot project, we reached the conclusion that "unitary" control is an inherent requirement of grain dealings. It is an objective requirement for straightening out the rural financial order; it is a fundamental necessity for improving the supply of procurement funds and for better control over procurement funds; and it is also a general demand of local government financial units and units in charge. Promotion of Bank of Agriculture centralized control over grain loans is inevitable.

### Feed Production Ranks Third in World

OW2411175390 Beijing XINHUA in English  
1505 GMT 24 Nov 90

[Text] Beijing, November 24 (XINHUA)—China, which now produces 30 million tons of mixed feed annually, ranks third in the world following the United States and the Soviet Union.

Li Ruishan, president of the China Association of Feed Industry, made the announcement here today at its second council meeting.

The country's feed industry, which was formed in the early 1980s, has developed rapidly. By 1983, over 6,200 feed-processing enterprises with an annual production capacity of over 2,000 tons each had been established. These enterprises now have a total feed-processing capacity of 50 million tons.

Li said that in the recent years many varieties of feed additives have been developed, and that China is now self-sufficient in its supply of common feed additives. In addition, the country has also been able to export some common varieties of feed additives which contain vitamins and trace elements of minerals.

Li noted that state and local governments have invested over two billion yuan (400 million U.S. dollars) in developing the feed industry.

### Vocational Schools Apply Science, Technology to Farming

OW2411132790 Beijing XINHUA in English  
1310 GMT 24 Nov 90

[Text] Beijing, Nov 24 (XINHUA)—China has set up a number of vocational training schools to teach farmers how to apply science and technology to farming.

According to the Ministry of Agriculture, China has about 30,000 of these schools at the township level, approximately one for every two townships. In addition, the country has set up 220,000 village schools to teach farmers general knowledge in farming and other special technology. Together, these schools train around 25 million farmers annually.

The establishment of these and similar training schools has also helped train rural officials in agrosience and technology, education, and administration, Sun Xiang, an official from the Ministry of Agriculture commented. These skills all serve to boost the development of China's agriculture, he noted.

Sun used the Central Agriculture Broadcasting School to illustrate his point. The school, established in 1981, he said, intends to familiarize farmers with science and technology through television and radio broadcasts. There is a cumulative enrollment of 1.85 million farmers since it opened, and 530,000 of them are considered to have mastered the general knowledge provided by the school.

Sun said that the Ministry of Agriculture has decided to give certificates to farmers who have mastered general knowledge in a special field. The ministry hopes that this policy will encourage more farmers to study applied science and technology.

### Import of Cereals, Oil in October

HK2811102990 Beijing CEI Database in English  
28 Nov 90

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oil in October, 1990, released by the General Administration of Customs:

Item	Unit	Oct. 1990	Oct. 1989
Cereals	ton	676,821	1,671,295
Wheat	ton	669,737	1,566,344
Soybean	ton	64	35
Sugar	ton	47,947	123,488
Animal oils and fats	ton	7,708	8,100
Edible oil	ton	124,578	84,588
Other oils	ton	106,166	70,688

**Northeast Becomes New Rice Production Center***OW2711141690 Beijing XINHUA in English  
0858 GMT 27 Nov 90*

[Text] Changchun, November 27 (XINHUA)—Corn and sorghum, which have been a food staple in northeast China's rural areas for centuries, are now being replaced by rice thanks to the development of rice production.

Northeast China, which includes Liaoning, Jilin and Heilongjiang Provinces, covers over 1.2 million square kilometers or approximately one-eighth of China's total land area. This vast plain has supplied the state with large amounts of commodity grain and has exported soy bean and corn, in addition to supporting over 99.2 million local people.

However, rice which was considered a precious food by the local people, was planted on less than one million hectares in the region as late as 1980.

Wang Yuyang, a water conservancy expert, told XINHUA that paddy fields have been expanded by over 100,000 hectares per year since 1980 and that the total paddy area reached 2.13 million hectares this year.

Paddy fields, which account for 15 percent of the total farmland in the region, have an annual rice output exceeding 15 billion kilograms or about 30 percent of the total grain output in northeast China, Wang said.

Liu Jiaren, a Heilongjiang provincial official in charge of water conservancy, reported that the province has been forced to transport over 100 million kilograms of rice each year from the south in order to supply the monthly ration of three kilograms per capita for urban residents. Some rural residents have not tasted rice for years, and even the rice growers themselves are only able to eat rice during festivals.

However, at present the province not only fulfills the needs of both urban and rural residents, but also provides 15 million kilograms of rice to other parts of China.

Sun Fengxi, a senior agronomist in Dehui County, Jilin Province, attributes the rapid expansion of rice production to technical progress. Because rice production is limited by cold weather and a shorter frost free period, agronomists and technicians have developed new techniques and instructed farmers in how to raise seedlings, the use of plastic sheet greenhouses, planting upland rice, thin planting, and the use of transplanters and herbicides.

Local governments have also organized peasants to build water conservancy projects and have drilled wells, while at the same time the state has invested heavily in soil improvement.

Another factor which has helped to motivate the peasants to increase rice production is that the state purchase price for rice has been increased from 0.4 yuan to one

yuan per kilogram, and as a result rice production is now much more profitable than growing corn and sorghum.

In recent years, rice production has not only served to improve the food intake pattern of the peasants, but also enabled millions of peasants to become more prosperous.

Li Xiangbo, 52, a peasant in Tuanlin Village, Chaoyang Township, Dehui County, told XINHUA that only a few years ago his family of five could hardly had enough food and were forced to rely on state relief to purchase clothing. Now, the family has been able to build a new two-story house and has purchased a television, a refrigerator and other domestic appliances and furniture after having planted only three hectares of rice.

Li Delin, the head of the Chaoyang Township, said that most households in the township are better-off since they began planting rice. The annual income of the peasants in seven of the 12 villages has surpassed 1,000 yuan per capita.

Sun Fengxi, a senior agronomist, said that due to flooding and other natural adversities the grain yield per hectare averaged only 1,500-2,250 kilograms, and the total rice output for the county was only 300,000 tons per year before the land was converted to paddy fields. In the last decade, the county has drilled over 20,000 wells and has developed 50,000 hectares of paddy field. The average yield has more than tripled and total output jumped dramatically to over one million tons this year. An added benefit is that the annual income of the peasants has also increased from 263 yuan in 1985 to 644 yuan per capita last year.

**Inner Mongolia Reports Animal Husbandry Achievements***SK2411043890 Hohhot NEIMENGGU RIBAO  
in Chinese 20 Oct 90 p 1*

[Summary] During the 10-year period of conducting reform and opening to the outside world, Inner Mongolia Autonomous Region, one of the major animal husbandry production bases in China, has made a great leap forward in its animal husbandry production on its 1.3 billion mu of natural grassland, which ranks the autonomous region first in this regard in the country. According to statistics compiled at the end of June this year, the region had 47.4 million large and small animals. Over the past six years, the yearly average increase in the regional number of animals has been 4.6 percent; in the regional meat output, 10.6 percent; and in the regional total animal husbandry output value, 7.9 percent. The region's per herdsman income has increased from 573 yuan in 1985 to 1,038 yuan in 1990. Over the past four years, the region's 16 sheep-and-goat raising bases have realized 75 million yuan of economic results which have doubled and redoubled the total construction investment in this regard. Over the past four years, the region's output of sheep wool has shown a 50 percent

increase; that of cashmere, a 22 percent increase; that of mutton, a 25 percent increase; and that of beef, a 66 percent increase.

### **New Orange, Tangerine Zone Progresses**

*OW2311191590 Beijing XINHUA in English  
1503 GMT 23 Nov 90*

[Text] Wuhan, November 22 (XINHUA)—The construction of an orange and tangerine belt is progressing smoothly in the upper and middle reaches of the Chang Jiang.

Central China's Hubei Province had opened over 666 hectares of land for growing oranges and tangerines, and has cultivated 3 million virus-free tangerine seedlings by this October, according to local officials.

The tangerine belt, 1,500 kilometers long, when completed will include 29 counties and cities along the Chang Jiang in Hubei and Sichuan Provinces.

Zhang Wencai, a professor at the Central China Agricultural University and also an expert on oranges and tangerines, said that over 433,333 hectares of hills within the belt can be opened and used to grow fruit trees such as oranges, tangerines, lichee, longan and loquat. He said that the area has good soil, a mild climate and abundant rainfall.

Construction of the zone started early this year and the entire zone is scheduled to be completed in five years. The project involves an investment of 672 million yuan, including 302 million yuan (64 million U.S. dollars) provided by the World Bank.

### **Beijing Develops Land for Commodity Grains**

*OW2611092990 Beijing XINHUA in English  
0906 GMT 26 Nov 90*

[Text] Beijing, November 26 (XINHUA)—Beijing has developed over 200,000 hectares for the production of commodity grains in the past five years.

The efforts have been paid off and 1.9 million tons of grain was harvested this year, nearly 10 tons per hectare.

Forty-seven experts from 17 central and local farms and scientific research institutions contributed to the achievement by providing guidance in seven key areas including tilling, upgrading seeds, water conservation and scientific fertilization.

The municipal government intends to raise its annual grain output to 2.25 million tons in coming years.

Beijing has a total of 300,000 hectares of farmland in its suburban areas.

### **Beijing Grain Harvest**

*40060011A Beijing JINGJI CANKAO in Chinese  
13 Nov 90 p 1*

[Summary] Gross output of grain in Beijing this year is 2.52 billion kilograms, a 5.4 percent increase over 1989; and the average per mu yield was 568 kilograms, a 5.6 percent increase over 1989.

### **Heilongjiang Reports on Grain Purchases**

*SK2211095490 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 21 Nov 90*

[Text] As of 19 November, our province fulfilled its fixed-quota grain purchase plan by more than 50 percent. The volume of stored grains reached 2.86 million tons. The 16 counties and county-level cities of Nehe, Qingan, Fangzheng, and Tieli thoroughly fulfilled their grain purchase plans in line with the fixed quota, categories, and quality. The speed of procuring rice and soybean has been rapid this year and the volume of stored rice and soybean has been large. Of nine counties in Songhua Jiang Prefecture, eight of them have fulfilled their soybean purchase plan. The prefecture has fulfilled its rice purchase plan by more than 90 percent. While fulfilling the fixed-quota grain purchase plans, localities across the province have also actively opened grain markets at negotiated prices to expand the grain circulation channel. After fulfilling their fixed-quota purchase plans, counties, including Qingan and Kedong, have immediately opened grain markets and organized their departments of foreign trade, grain supply, and marketing and supply to actively procure grains at negotiated prices.

### **Heilongjiang Beet Procurement**

*SK2611043690 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 25 Nov 90*

[Summary] As of 23 November, the 29 sugar refineries in the province processed 1.56 million tons of beets, and produced 195,000 tons of sugar, 63,000 tons more than in 1989, or a record high in the same period in history. This year, our province procured a total of 6.36 million tons of beets, approximately 3 million tons more than the total amount procured last year.

### **Henan Cotton Procurement**

*40060010B Zhengzhou HENAN RIBAO in Chinese  
4 Nov 90 p 1*

[Summary] As of 31 October, Henan Province had procured 5,860,000 dan of ginned cotton, fulfilling 52.3 percent of the task, and was a 168 percent increase over the same period in 1989.

**Hubei Autumn Grain Area***40060010E Wuhan HUBEI RIBAO in Chinese  
2 Nov 90 p 1*

[Summary] As of 25 October, the autumn grain area in Hubei Province exceeded 16 million mu, fulfilling 59.3 percent of the plan; of this amount the wheat area exceeded 13.8 million mu. The rapeseed area was 5.1 million mu.

**Hubei Cotton Procurement***40060010D Wuhan HUBEI RIBAO in Chinese  
31 Oct 90 p 1*

[Summary] As of 25 October, Hubei Province had procured 356,000 tons of cotton, fulfilling 95 percent of the task. The income of cotton farmers has increased, for every 50 kilograms of cotton sold, average income has increased 35.72 yuan over the same period in 1989.

**Hubei Rice Procurement***40060010C Wuhan HUBEI RIBAO in Chinese  
27 Oct 90 p 1*

[Summary] As of 20 October, Hubei Province had put 1,821,500,000 kilograms of contracted rice in storage, exceeding the annual plan by 2.8 percent.

**Jilin Grain Purchasing Conference Ends 25 Nov***SK2611142690 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 25 Nov 90*

[Text] Participants at the provincial grain purchasing conference, which concluded on 25 November, called for efforts to conscientiously implement the guidelines of the national grain work conference. They urged efforts to further mobilize governments at various levels and pertinent departments to pay close attention to and complete this year's grain purchases through every possible means until success is achieved. This will protect and boost the production enthusiasm of peasants, and promote the development of the urban and rural economies.

This year's grain purchasing and storage work has been encouraging, characterized by its rapid progress, good quality, and an early upsurge. As calculated by 20 November, the province had purchased 1.77 million tons of grain according to contracts, an increase of 1.8 times over the corresponding period last year.

Provincial Vice Governor Wu Yixia stressed in his speech: In line with the opinions recently formed by the provincial party committee and government after study, we should conscientiously implement the state's policy of persisting in purchases without limit. We should never refuse to purchase nor should we purchase only within a fixed time on various excuses. We should not persist in the protection prices nor should we ever purchase at prices lower than the protection prices. We should persist in setting aside adequate amounts of food grain, seeds, and feed grain for peasants and we should never

purchase excessive grain in order to ensure the smooth progress of the purchases and storage of new grain and [words indistinct]. After fulfilling the grain purchasing contracts, we should implement in a timely manner the policy of linking grain purchasing contracts to the supply of chemical fertilizers and diesel oil and to the payment of deposits for the purchases so that peasants can fully gain the benefits provided to them by the party and the state. No department or unit is permitted to withhold the benefits on any excuse. If the chemical fertilizers and diesel oil have not been sold to peasants at officially fixed prices, the price differentials and their interest should be paid to peasants when they are selling their grain according to the amount they sell. The deposit for the purchases of grain that had not been paid and the deposit that had been issued to peasants as a loan and the interest should also be paid to them. This year, the province's lowest protection prices for the grain to be purchased at negotiated prices are fixed at 0.47 yuan per kg of standard grains, 0.84 yuan per kg of paddy rice, 1.1 yuan per kg of soybeans, and, in line with the adjusted contracted purchasing price, 1.116 yuan per kg of sunflower seeds.

In conclusion, Wu Yixia urged the participating comrades to make the best use of the next 30 days or so to implement more successfully the various policy measures of the party, the state, and the province in line with specific local conditions. He urged them to lay a solid foundation for protecting and boosting peasants' enthusiasm for selling grain and for maintaining a steady development in next year's agricultural production.

Wang Zhongyu, provincial governor, and Gao Wen, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference, attended and addressed the conference.

**Shanxi Cotton Procurement***40060010F Taiyuan SHANXI RIBAO in Chinese  
29 Oct 90 p 1*

[Summary] As of 25 October, farmers in Shanxi Province had sold 53,126 tons of cotton to the state, fulfilling 63 percent of the task.

**Reform of Shanxi Grain Procurement System***91CE0082A Beijing JINGJI RIBAO in Chinese  
18 Oct 90 p 2*

[Article by Tie Jingkui (1586 4842 7608): "Market Regulatory and Control Function of 'C' Grain—Review of Shanxi's Deepening of Grain Purchase and Marketing System Reform"]

[Text] As part of its reform of the grain purchase and marketing system, Shanxi established a local grain (also termed C grain) reserve system in 1988. The main provision of this system is provincial government centralized allocation of grain reserves, the expenses and funds needed being provided out of grain department



profits from dealings in negotiated price grain, the grain departments making up shortfalls through bank loans, and the provincial finance department discounting loans for interest payments. Grain reserves have increased over the years. Over the past two years, 250 million kilograms of "C" grain have been stored, not counting grain used to regulate markets and to insure the supply of grain at negotiated prices.

Shanxi's nationwide lead in setting up the "C" grain reserve system was an outgrowth of the steady deepening of grain supply system reform throughout the province. Following the removal of restrictions on the price of grain rations provided for strenuous labor and for grain used in industry, some people supposed that since price restrictions on grain for these two purposes were removed, both enterprises and consumers would buy whatever they could buy, and when they could buy no more that would be the end of it. There was no need for further macroeconomic regulation and control. Practice demonstrated this to be not the case. In Shanxi, where nine out of 10 years are drought years, the balance between good crop years and poor crop years is extremely uneven, and there is very great variation in grain output between one area and another. Shanxi is also a wheat-deficit province, so the removal of restrictions on prices of grain provided for the above two purposes was simply a change in the method of sale and sale prices. Sources of grain still had to be secured, and enterprise and consumer ability to bear costs had to be taken into consideration as well. It was from this awareness that the provincial government to establish the "C" grain reserve system as quickly as possible to insure smooth reform of the grain purchase and marketing system. As expected, within less than 1/2 year following implementation, the "C" grain reserve system played a major role in stabilizing markets. In September 1988, Shanxi grain prices, particularly the price of flour, shot up suddenly, the price of standard flour rising to 0.80 yuan per jin. Flour was nowhere to be found. The social reaction at that time was extremely strong. The amount of subsidy that enterprises had to pay for grain provided for strenuous labor increased from 0.23 to 0.66 yuan per jin, and industrial and mining enterprises' demands that grain departments guarantee to supply grain at negotiated prices became more and more vocal. Under these circumstances, the provincial government decided at once to allocate 290 million kilograms of negotiated price wheat (more than half of which was "C" grain) at a limited price, grain departments supplying grain monthly at 0.50 yuan per shijin. This stabilized the market and calmed people's minds very quickly, thereby spurring grain purchase and marketing system reform.

Adherence to a combination of taking in and paying out grain, and channeling grain against the market, releasing it when supplies are low and taking it in when supplies are high, using authority to regulate and control grain markets has become a good method that the government uses to solve the masses' "difficulty in selling grain." Though it is a grain-deficit province, Shanxi has some

grain producing areas such as Yuncheng and Linfen in which a certain amount of surplus grain is available each year after fulfillment of state grain procurement quotas. In many areas, structural "difficulties in selling grain" resulting from the evening out of different grain varieties are also fairly serious. Even though governments at all levels formerly spent much energy on this problem, they were sometimes still unable to solve it well, and this hurt peasant interest in growing grain in varying degrees. Following establishment of the "C" grain reserve system, the situation changed. Since this system provides that peasants' surplus grain must be purchased at a price that is slightly higher than the market price, it prevents peasants from suffering as a result of cheap grain. During the first quarter of 1988, grain prices skidded in some of the main autumn grain producing areas of Shanxi. At 0.18 yuan per jin, corn could not be sold, and some commissioners and county magistrates blamed grain departments for not buying grain. Fearing they might lose money, grassroots level grain departments did not dare purchase grain actively at that time. The provincial government office sent a telegram instructing all jurisdictions to begin the purchase of first grade corn at 0.20 yuan per shijin, and converting to "C" grain all that could not be sold locally. This stimulated the zeal of grassroots grain enterprises. By June, a total of 300 million kilograms of corn had been purchased from the peasants. This both increased local grain reserves and effectively protected peasant interest in growing grain.

While looking through statistical tables on grain purchases and marketing in Shanxi Province over the years, the reporter noticed that prominent supply and marketing conflicts resulting from poor grain harvests had caused a rise in grain prices in more years than not. An economist also pointed out that the substantial fluctuations in grain prices not only hurt fulfillment of state grain procurement quotas, but also led to grain departments taking in and paying out large amounts of grain, which excessively increased urban residents' consumption costs. Establishment of the "C" grain system may be said to be a key in the solution to this problem. Since it is a point in the grain flow area in which the planned economy and market regulation intersect, it is an effective means of evening out surpluses and shortages in good and bad crop years, for holding down grain prices, and for stabilizing markets. Take the last half of 1989, for example, when the market prices of grain in Shanxi went up with no sign of coming down. In some places, the price of corn rose to 0.40 yuan per shijin. Because of the price increase, some places needing grain could not buy it, and places having grain were unwilling to sell, occasioning difficulties for state fixed price procurement of autumn grain. Following study, the provincial government decided to allocate 150 million jin of "C" grain. Following the principle that the sale price of grain within the province was not to exceed 0.32 yuan per shijin, it sold off large quantities of corn in a directed, organized, and planned way. As a result, after having sold only 75 million kilograms, the price of grain came down, and the market was stabilized. Finally, not only were the needs of

Yanbei and Luliang prefectures, which were grain-short as a result of natural disasters, satisfied, but a comfortable climate was created for the setting of reasonable negotiated prices for the autumn grain crop, and for eliminating peasant reluctance to sell grain.

### **Xinjiang Cotton Harvest**

*OW2111120490 Beijing XINHUA in English  
0748 GMT 21 Nov 90*

[Text] Beijing, November 21 (XINHUA)—The Xinjiang Uygur Autonomous Region reaped a record harvest of 400 million kilograms of cotton this year, up 105 million kilograms over last year, the "PEOPLE'S DAILY" reported today.

The Beijing-based newspaper said that the region has had good cotton harvests for the past 13 years, and has become one of the country's key cotton producers.

The paper attributed the good results to the adjusted cotton purchasing policy, the mobilization of farmers' initiative and the application of science in farming.

### **Kunming Vegetable Sales**

*40060010A Kunming YUNNAN RIBAO in Chinese  
22 Oct 90 p 1*

[Summary] At present, Kunming City sells over 2 million kilograms of produce to Guangdong, Shenzhen, Hong Kong and the northeast a month and over 1 million tons of produce within Yunnan. The municipal government has set up 80,000 mu of produce production bases.

### **Yunnan Afforestation**

*40060009F Kunming YUNNAN RIBAO in Chinese  
28 Oct 90 p 2*

[Summary] By the end of September, Yunnan Province had afforested more than 4,370,000 mu (1,030,000 mu was seeded by air).

## Students Studying Abroad Reluctant To Go Home

91CM0054A Hong Kong CHENG MING  
[CONTENDING] in Chinese No 157, 1 Nov 90 pp 23-24

[Article by Chen Ming (7115 2494): "Studies Abroad Are Places of No Return"]

[Text] Even though leading cadres in Communist China's Ministry of Education console themselves with talk that the ratio of mainland students returning to China after graduation abroad is not too bad, actually it is less than one-tenth. Even though Communist China after the 4 June affair has created multifarious obstacles to studying abroad and, in disguised forms, is restricting graduate students from going abroad, the line of applicants for visas in front of the U.S. Embassy is getting longer and longer. Why is that so? The answer given by X, a former vice president of the Chinese Academy of Social Sciences, is that the "crucial point is the state of mind of the party and the state of mind of the people." The youth have lost confidence in the party and in China's future. As a result, those that have gone abroad do not want to come back, and those who have not yet gone abroad try by hook and by crook to get out of the country. "The party is to be blamed for the severity of the tyrannical government." This phrase describes the present situation that makes overseas students from the mainland not want to return to China after graduation and that makes mainland youth try by hook and by crook to get out of China, and the phrase is indeed very appropriate.

### Fewer Than 10 in 100 Mainland Students Return to China After Graduating Abroad

Internal statistical data of the Ministry of Public Security and the Ministry of Education reveal that there are at present 63,000 students studying abroad at state expense and 29,000 students studying at their own expense. Among the public-sponsored students, somewhat over 25,000 have concluded their studies or projects. During last year alone, over 10,000 concluded their studies or projects, but only somewhat over 670 have returned to China after completing their studies (to save face, Communist China has given out the number as over 1,000); among these only somewhat over 200 returned after the 4 June affair (the official figure was over 400, an exaggeration of double the actual figure). Up to July this year, somewhat over 8,000 students had concluded their studies or projects, but up to the end of August only somewhat over 520 returned to China and reported back to their work units, which is only one-fifteenth (6.6 percent) of those that should have returned. Of the students studying at their own expense, 6,000 have concluded their studies or projects, but last year only 12 students returned to China, and this year up to the end of June only eight, so the rate of return is one in 300. There are a variety of reasons why students, whether public-sponsored or self-supporting, do not return to China after completing their studies or projects, but since the 4 June affair, the 4 June incident itself is a main reason.

There is X, an outstanding student of the Automatic Controls Department of Beijing University who went to the United States in 1985 at his own expense. In past years he used to return to China every summer vacation, and also made his research available free of charge to the Mechanical Department. He had intended to return to China permanently in 1989, but changed his mind after the 4 June affair, temporarily postponing his return. When asked for the reason, he replied, "I had never thought the Chinese Communists could be so depraved and the people so demoralized!" His speech was overflowing with discontent with the Chinese Communists. His mentality was typically representative of the mentality of overseas students.

### Communist China Is Concerned About the Problem of "Graduates Failing To Return"

The seriousness of the problem of public-sponsored and self-supporting students and postgraduate students not returning to China after completion of their studies has aroused grave concern among the Chinese Communist leadership, because these overseas students, before being allowed to go abroad, had been approved to go abroad for public-sponsored or self-supporting studies only after undergoing strict examination by relevant departments and after being found absolutely loyal and reliable. Among them, 37 percent were party members, and 76 percent were children of party cadres or were Communist Party cadres themselves. Why do all these people not want to return to China? To this question, some absurd reasons were given by He Dongchang, a leading cadre of the Communist Chinese Ministry of Education, in his speech at a symposium on the eve of National Day, when he blamed it all on insufficient moral education in the schools. "Emphasizing knowledge divorced from morality, that was commission of a grave mistake." His was an unrestrained outcry: "We are not going to spend the people's money to provide for persons who hate the party and hate socialism to go abroad. We will definitely not allow them to oppose their own motherland after completing their studies!" He emphasized, "We shall unswervingly pursue the policy of nurturing talents whose moral as well as intellectual qualities are equally developed. Emphasizing knowledge divorced from morality would be a grave mistake." It is ironic in this connection that 20 years ago, during the 10 years of calamity of the Cultural Revolution, the gang of four, when criticizing and denouncing He Dongchang, accused him particularly of the crime of "glaringly emphasizing the revisionist theory of knowledge education." It is really things coming back full circle; "20 years east of the river, 10 years west of the river" [a complete change]. The same He Dongchang, who was accused in those days of propounding the "revisionist theory of knowledge education," has now completely remolded himself and is planting the cap of shame, which he had worn, on the heads of all those on the mainland who are engaged in education. Who says history does not repeat itself?

### Frequent "Disappearance" of Diplomatic Personnel and Overseas Workers

The Communist Chinese Ministry of Foreign Affairs and the Ministry of Public Security have revealed that, during the period from June last year to August this year, somewhat over 80 Chinese Communist officials stationed abroad and members of economic and trade organs stationed in foreign countries have either asked for political asylum or disappeared without a trace. From over 110 engineering, trade, cultural, and sports delegations dispatched to over 40 foreign countries for investigations, interviews, or competitions, 67 persons have sought asylum in foreign embassies or have disappeared without a trace. Of these, seven have changed their original intentions and returned to China. Moreover, according to a highly placed Chinese Communist personality, during the period from June last year to August this year, almost 500 personnel or delegates sent abroad have, without authority, left the organ of which they had been members or their group or company.

### The "Fervor To Leave China" Continues To Heat Up

According to statistics for the nine large cities of Shanghai, Beijing, Guangzhou, Tianjin, Wuhan, Chongqing, Nanjing, Hangzhou, and Fuzhou, during the period from 1988 to June this year, almost 170,000 persons applied for permission to study abroad at their own expense. Even though Communist China has imposed all kinds of restrictions on going abroad to study, has prescribed that graduates from institutions of higher learning must have worked three to six years before applying for exit permits to study abroad, the "fervor to leave China" is still heating up unabated. Even Deng Xiaoping's idea of a "socialism with Chinese characteristics" and "the spirit of Lei Feng" have in no way been able to stop the wave of fervor to leave China. According to statistics, a student in the United States studying at his own expense needs at least 50,000 to 70,000 yuan, and will then still have to buy foreign exchange on the black market through semiofficial, semifree sources, so that his expenses will altogether amount to 10 years of the salary of a university professor of the first rank or 24 years of wages of a top-ranking Shanghai worker.

### The CPC Is To Blame for the Nonreturn of Graduates

The educational authorities of Shanghai Municipality once carried out an investigation by questionnaire among classes of graduates from well-known senior middle schools on the topic of "choices and ideals after graduation." The result was that 87 percent of the students clearly stated: To make it possible to study abroad. The parents of a 1988 graduate of a senior middle school were engineers whose combined monthly salary and various allowances totaled 500 yuan. To be able to send their son abroad they sold a set of teak furniture they had inherited and thus got 30,000 yuan, and then also borrowed more than 20,000 yuan from friends and relatives, making it possible for their only child, their son, to go to the United States to study. They

said, "This is the safest choice for parents to make." An intellectual who had studied abroad in the 1950's and returned to China, and had become vice president of a certain university in Beijing, very emotionally said at a symposium of the CPPCC [Chinese People's Political Consultative Conference], "In the 1950's we knew that China was poor and we still returned to the motherland by tortuous ways; today our students borrow left and right to get out of the country. Why is that so? Are we to blame or is the present generation of youth to blame?" Obviously, this educator knows very well who is not to blame. The blame lies with the Chinese Communists, lies with their erroneous political line of one-party dictatorship. They strangled and stifled the work enthusiasm of the Chinese intellectuals and of all classes and strata of the whole population, and the consequence is the daily-increasing backwardness and poverty of the China mainland and the complete loss of confidence in the CPC among the people.

### Traveler Accuses Mainland of Money Madness

91CM0039A Hong Kong CHING PAO [THE MIRROR] in Chinese No 159, 10 Oct 90 pp 50-52

[Article by Mata Hei (0076 0365), a Japanese: "Mainland Society Driven Mad by Money"]

[Text] Not long ago, I took a month's trip to the mainland, where I had extensive contacts with people from all walks of life. I saw cities and towns of all sizes as well as farms, factories, and mines. I listened to people's aspirations and observed what was actually happening. The impression I got was that, for mainland society, money is the goal for which everyone is striving. It is the standard for judging all things, the basis for handling all transactions, and the pass that opens all doors. Anything can "take the place of a wife," but money alone is as "dear as one's parents."

Perhaps some people feel this is too extreme. I also get thoroughly fed up with this formulation. Unfortunately, however, this is the way it is in mainland society. No matter what a person might think, it cannot change by one iota the way things are. You do not believe me? Then, please consider the facts.

The party secretary of a certain village in Tianjin has a well-known saying, "Lift your head and look ahead, lower your head toward the money. If you don't see the money, how can you look ahead?" After the 4 June incident, RENMIN-RIBAO ran a speech by a Communist leader which openly criticized this. This same party secretary at a news conference declared, "I beg to disagree." That this party secretary was bold enough to talk this way was not solely a display of his courage. His "saying" has become "common knowledge throughout the party." Ask any party member that you admire and you will hear the same reply, "What good is it that a party member can exercise control? If he hasn't any money, he will be just as hungry as before. There are seven or eight fish to a jin, or about 10 shrimp. Can the

words 'party member' be turned into fish and eaten? Can they be turned into shrimp and eaten?" These words are strong proof that this village party secretary's skill at amassing wealth and that the authority his wealth gives him to speak his mind are nothing unusual. When the Tianjin audit department and taxation department sent people to the party secretary's garden-style Western house to examine his accounts, a gang of private bodyguards swarmed out, declaring, "Chief X is not here. You better leave or there's going to be trouble." As of now, no one from Tianjin's population of 7-8 million have again dared to pursue the task. It is said that the attitude of the Tianjin municipal party committee has been, "Let's wait until he grows his vegetables and let it go at that."

In August 1989, there occurred an incident of premeditated assault and injury within the jurisdiction of a certain police station in the Haidian District of Beijing. Some 20 lawless elements stormed a citizen's home, beating a pregnant woman bloody and fracturing a young man's skull, knocking out his teeth and splitting his lip. Three or four others fainted dead away on the spot. A people's policeman by the name of Zhou and a deputy police station chief by the name of Liu were frequent drinking companions of the ones who committed the crime. Probably in consideration of the fact that "Neither strangers or friends can be trusted or believed," they solicited a bribe of 6,000 yuan in renminbi from the assailants. Afterwards, to everyone's surprise, they refused to carry out the order for the Haidian branch station to arrest the culprits. When the state Ministry of Public Security investigated, they refused to provide information and plotted with an uncle (a cadre at the Haidian branch station) of one the assailants, named Liang, to cook up false evidence. They forced the injured parties to be taken into administrative custody. (Five days later, when this was discovered by the Beijing Public Security Bureau, they were released.) As of now, it has been impossible to settle the case. It can be said that the magical power of money is becoming greater and greater. The Jews only betrayed a Jesus for money. Zhou and Liu, in addition to betraying their souls and the truth, betrayed for money the honor and respect of the PRC's system of law!

There is a short section of the Tianjin-Beijing highway in Xianghe County, Hebei Province, where the county public security bureau has set up a checkpoint. The police, hiding in the shade behind the trees, make it a point to intercept vehicles going between Tianjin and Beijing. A heavy fine must be paid for any stopped vehicle if criminal investigation is to be avoided. Because 500 meters ahead is a Beijing Municipal inspection station for vehicles heading for Beijing, vehicles have to stop. As a result, no driver with his "scorn for Xianghe's legal authority" can avoid being fined. It is said that not only is there a mandatory quota for fines, there is also a percentage of the fines taken for each individual. This is considered to be a clever ploy that earns money and creates revenue by using powers of

enforcement. People refer to the police who do this kind of work the "armed gods of wealth." From what I know, this is a common sight in the areas surrounding Beijing and Tianjin. It has become so serious that foreigners posted in Beijing are refusing to drive outside the city to conduct their business. They are saying that if China requires money, then notify us once and for all how much we should pay and be done with it. It insults a person's dignity and self-respect to have every three steps a fine, every two steps a checkpoint. It is psychologically difficult to endure. The famous literary work *Water Margin* often described instances of extortion along the roads. Who would have thought that it would be developed to the extent it is today.

Near every traffic policeman's stand in the streets of Tianjin and Beijing are cigarette stands and popsicle stands. Each policeman standing in the middle of an intersection performing his duty has the assistance of civilians in maintaining order (many are drivers who have had their licenses suspended). After the police have taken a drivers license from a driver who has caused trouble, the first thing he has to do is seek out the owner of a stand and the volunteer helping to regulate traffic and slip them 20-50 yuan in cash along with a couple of packs of imported cigarettes. ('555' brand is fine, but they must not be inferior to Good Companion brand.) The police will dispose of the case only after they have heard the "report from the masses" and understand the "actual situation." I personally asked a driver how it was determined what the particular circumstance might require with respect to the amount of the "supplication." (Those paying the bribe are called "supplicants.") He said that each set of circumstances had an official price. "You can't drive if you don't understand the ways of the city." I know that even the traffic police at the time of the Kuomintang rout in 1949 had not instituted "official prices" in Tianjin and Beijing.

This year between July and August, a section of Liaoning Road near Simianzhong in Tianjin's Heping District was flooded by rainwater because of a stopped-up sewer. Half the road surface was flooded. The office in charge had the nerve to demand 500 yuan in cash from the residents for worker bonuses, otherwise the repairs would not be done. Upon being refused, they actually allowed this "waterlogged muck" of peelings, seeds, rotten vegetables, and garbage to cause an enormous stench in this well-known and busy section of the city for more than two weeks. It was not until 17 August, a scorching hot summer day, that the accumulated water finally dried up and the air became clean. As of this writing, the sewer still suffers from "obstruction," and the office in charge is still showing its heroic spirit of "arrogantly doing nothing." What use are the environmental sanitation fees, the street cleaning fees, and urban development taxes that people pay?

Since the advent of individual enterprise households, the spectacle of the "three wolves eating meat and unable to get enough" has appeared in all cities and towns throughout the land. The term "three wolves" has even



shown up in materials used by Central Committee report-back meetings. The term means: The big gray wolves (industrial and commercial managers and tax collectors who wear gray uniforms), the big black wolves (the police, who in old China wore black uniforms), and the big white wolves (public health management personnel who wear long white gowns).

The "three wolves," taking advantage of their positions of authority, openly engage in extortion. They even have the audacity to say such things as, "I see you have several pairs of French shoes. We had better test them to see if they are infected with the AIDS virus." "Those two live chickens sure are fat. We had better take them back with us for inspection. There might be some hazardous materials in their stomachs." "These live fish have too much water in them. The tax rate isn't figured properly. We had better dry them out and see how much is left." There is a Guizhou restaurant that lies in the jurisdiction of the Dongsheng police station in Beijing's Haidian District. The restaurant owner is from Guizhou. A people's policeman in charge of that quarter and the deputy chief of police who is responsible for public security not only frequently "take their breaks" at the restaurant, but four or five times a month, they also bring a large group of people "to gain firsthand experience," claiming it is part of their "job" to enjoy the Guizhou specialties. As for the expense, naturally it is the owner's. It is his "contribution to protecting public security in the capital." Realistically, the owner of this little restaurant readily admits that he tells them, "Gentlemen, this is my treat. It is not necessary to pay." "If I didn't do it," he says, "hoodlums would be in here every other day bumping into tables and throwing the stools about, and the police station would be checking my accounts 20 days out of 30. You either pay up or there will be trouble." A woman who runs a stand selling cooked meat in a certain county seat declares, "If I work a day, I can look forward to 20-percent profit. If the 'wolves' come, then I lose 20 percent. They have calculated it all out. They don't come every day, and they don't all come on the same day. They know that if they 'leave some of the trees standing, there will always be some firewood.' Everyone knows this. That's why we can continue to exist."

Man is the wisest of creatures, and he will presumably take advantage of his superiority. Those who have authority will use it. Those who do not will use others. This is now a "new custom" that is quite popular throughout China.

Hospitalized people who need surgery and pregnant women about to give birth, in addition to the various fees stipulated by the state, must also pay the doctor about 2,000 yuan for their "hard work." The sooner they pay up, the sooner they receive care. If they do not pay up, they do not receive care. The spirit of healing the injured and saving the dying has changed. It is dependent on how much money is involved and whether those involved are powerful or weak.

"In teaching make no class distinctions" was enunciated by Confucius during the Spring and Autumn Period. Now that we have modernized, the saying has become "in teaching make class distinctions." On what basis are class distinctions made? The standard can be summed up in one word: money. The state-stipulated fees for elementary and middle school education are quite low. They merely represent a token amount. However, in the cities, no matter whether or not elementary or middle school students study outside of classes, they still must present their individual instructors with "outside study fees." These are six to nine times more than the state fees. The more they pay, the more successful they are. The wise parents are all close friends with their children's instructors.

Is only life among the people like this? What about "that pillar of society, the dictatorship of the proletariat"? I am not going to talk about "national defense secrets," just about a few public advertisements and signs that I have copied.

At the foot of Taishan: "Military police detachment dining hall. Banquets arranged, excellent quality at a reasonable price."

Above a door in Nantian: "Air Force hostel. Modern furnishings, superior service."

In Tianjin: "XX Detachment. Newly arrived Xinjiang watermelons, thin rinds and crisp insides, sweet and refreshing. Buy now while they last."

The question is, are these "little notices" some kind of a joke?

Those who have gotten their money through shady dealings are reluctant to put the entire amount in the bank once it has accumulated. This is because, despite what the banks say to individuals about "confidentiality of bank accounts," there is "nothing that is not discussed by the party committees"—either by those within the banks to other committees at the same level or to committees at higher levels. Party committee reports are made on a family's complete holdings. If you wanted to investigate this, how could you do it? Once people have accumulated some money, they certainly do not think about buying a house or property in China to pass on to their heirs. Like modern Zheng Ho's, they "sail the western seas" and roam new continents. Those who are good at handling rates of exchanges and coping with the changing rules also have an opportunity to get rich. The black markets in foreign exchange are quite active. Even children are making accurate transactions. The U.S. dollar is worth 7 yuan, and 10,000 Japanese yen is worth 550 yuan. The buying and selling of foreign exchange is done openly. It is an activity in which everyone takes part. People are doing their utmost to collect and save foreign exchange. The party, the government, the military, civilians, students, scholars, peasants, workers, businessmen, and soldiers, they all seem to have foreign exchange. I made a bet with a 27- or 28-year-old youth on which one of us had the most foreign exchange. I lost

miserably when he took from a container \$50,000. The spread of foreign exchange is fostered and abetted by the brain drain, by smuggling, by illegal business dealings, and by the exchange of power for money. Some people jokingly say that with \$100,000 in your possession you could freely take part in the Politburo Standing Committee. This, of course, is a gross exaggeration. However, given the mainland's money-mad society, this a remarkably true-to-life description.

There is a well-known passage in Marx's *Das Kapital* that will be eternally valid. He says that, with respect to capital, a five-percent profit shows the beginning of a brisk business; a 10-percent profit shows a contempt for all the laws; and a 30-percent profit shows you deserve the guillotine. According to the explanation of the masters, this is remarkably similar to the soul and nature of the bourgeoisie. However, how can they explain this when it is compared to the mainland?

### Cultural Psychology of Intellectuals, Officials

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[Article by Jin Danyuan (6855 0030 0337): "The Meaning of Chan and Cultural Psychology of China's Literati"]

[Text] The reference to Chan [Dhyana meditation] is not a religious one. This writer uses it to point out a category of aesthetic appreciation unique to Chinese culture, a kind of appreciation practiced by the Chinese literati. If we say that religion and the arts converge at many points, then the relationship between the Chinese arts and the literati is even closer. Because while Chan might not be a religion, it nevertheless has a kind of secondary religious sensitivity in approaching the arts. Similarly, the appreciation of aesthetics by the literati also contained a secondary religious sensitivity. Therefore, the cultural attributes of the meaning of Chan give substantive expression, both religious and secular, both Confucian and Daoist, to the cultural psychology of the Chinese literati.

### I. Advancement and Hiding—Foundations of the Cultural Psychology of the Chinese Literati

The cultural psychology of the literati is inevitably linked with China's traditional culture as a whole and with the literati's patterns of thought. In *Comparative Culture and the Philosophy of Art*, this writer mentioned that the most ingrained, inherent, and continuous organizational mechanisms of the cultural psychology of Chinese traditional culture are the patriarchal concept, small-scale farming consciousness, and the idea that "Nature and Man are one." This psychology gave rise to various kinds of spiritual phenomena: the omnipotent ruler—"inwardly a sage, outwardly a ruler," "sovereign and teacher as one"; self-improvement, cultivation of one's moral character, striving to be a role model; value judgments which take kindness as a prerequisite for

work; and moral principles based on letting princes be princes and statesmen be statesmen, and on respecting one's superiors. All of these were products of the interaction of the three mechanisms mentioned above. Yet the unique thought patterns of the Chinese literati were the historical result of China's wisdom as reflected in the synthesis of Confucianism, Daoism, and Buddhism. The source of the original model was the Daoist spirit and the concept of yin and yang. This later merged with China's Chan Buddhism and become "Buddhist on the outside, Daoist on the inside," achieving a great conversion into a circular and cyclical mode of thinking. Summing up the two, we can see clearly that this was born, developed, changed, and blossomed within the sphere of traditional culture. Cultural philosophy was its base, and had a dominant, decisive effect. Thus, one must examine the history of Chinese literati comprehensively, taking the overall culture into account, in order to clearly see the traces and true roots of the literati's cultural psychology.

The roots of Confucianism and Daoism in China's native cultural philosophy can be traced to two great fields: history and sorcery. The moral principles of the patriarchal system, magnanimity, moral culture and self-culture, practicing what is learned, making the world one's own responsibility, and so on, all were among the most important principles of Confucianism. Its theoretical purpose was to regulate the relationship between the individual and the group; to thoroughly seek and advance oneself was the direction which Confucianists set for their lives. The emergence of the gentleman-scholar was a natural result of following this path and was also designated as one of life's goals. But Laozi and Zhuangzi always attached great importance to natural interests and opportunities, to letting the heart "wander" modestly and quietly, and to "owning material things but not attaching importance to them." The philosophy of Zhuangzi, in particular, which was inspired by "inaction" and "nature's laws are honorable and true," especially stressed the omnipresence of the notion that Man should become a floating butterfly, free and unbridled, and should not be restrained. The theoretical purpose of Daoism was to regulate the relationship between the individual and nature, to prove the interrelationship between the two, and let them become one. On the basis of "returning to one's original state," Daoism and Buddhism came together, and lost their individual mental states. Therefore Daoists considered the "unfettered and wandering" real Man to be of the highest moral quality, as he worshipped seclusion among the forest springs and returned to nature. But while Confucianism and Daoism differed, there was no complete split, and there are signs that they were mutually complementary from the start. Confucius, Laozi, and Zhuangzi all loved Man; essentially, both Confucianism and Daoism were humanistic philosophies of sorts. Regardless of whether the relationship was between the individual and a group, or between the individual and nature, both schools maintained that the individual could not take precedence over its counterpart—be it a group or nature. Confucianism's "denying oneself for the sake of propriety" and "all will ascribe

virtue to him" heavily emphasized this. The Daoist said, "Nature has great beauty and is silent." These determined the possibility and necessity that the two would be mutually complementary. This was different from the Western idea that, after the individual and God established a direct relationship, the individual could be independent from the group and supersede nature. What Western man heard was the call of God; what a Chinese believed in were the wishes of the group, and mystical signs and teachings of nature. Therefore, while Confucianism and Daoism opposed each other, they did not reject each other. They were different, yet they had many points in common. What the *Zhou Book of Changes* [Zhou Yi] called the "stated way of Light and Darkness" profoundly revealed the connotations and joint achievements of Chinese philosophies.

However, Confucianism's transformation of an individual's destiny into a social ideal, and its active search for a moral role model was clearly contradictory to Daoism's nihilistic withdrawal from worldly matters and its passive retirement. Therefore, the Chinese literati and their cultural psychology would inevitably also show similar contradictions and dual characteristics as they wavered between Confucianism and Daoism (and later, Buddhism), now encountering the source, now filling the cracks between them. On the one hand was the philosophically optimistic idealist who pondered and affirmed the superiority of Chinese civilization, the talent and bold vision of the sovereign, and even self-value, and enthusiastically and fantastically bragged about it. On the other hand there was a disdain for earthly matters, a determination to be aloof from and above them, a lingering love for nature, a search to mold one's character, and an eternal embrace of the realm where "Nature and Man are one." The most satisfying annotation of this kind of psychological situation was "Stand at the center and have a fantastic view, nurture sentiment and resolution in commemorating memorials, follow the four seasons and lament their passing, look at and ponder the complexity of things." (Lu Ji [7120 2623]: *Literary Gifts* [Wen Fu]). This kind of psychology was most clearly expressed in the attitude toward life, work, and political ideals. Generally, when things were smooth politically, when one was considering trying for an official career, or when one was granted a great and mighty imperial favor that was verifiable, then the traditional intelligentsia of China would actively move up front and hone their fresh ideas. They would not only determinedly seek their political aspirations (a civil official could freeze to death in the imperial palace, a soldier die desperately on the battlefield), but moreover, because "even the lowest knave has a responsibility for the life and death of a country," the goal of their struggle became a kind of spontaneous mission to help the common people. But when an official career met adversity, misfortune, or was in dire straits; when his services were spurned, and people did not even know him, then he would turn toward nature. He would lavish his affection on the landscape, or on the waves of the Five Lakes, and return to the simplicity of the woods and

rocks until he achieved the "great and complete awakening and comprehension." He would embrace Buddhism, returning to what Kang De [1660 1795] called "No clear purpose, yet conforming to the nature of a purpose."

But the Chinese intelligentsia never were a independent political or economic force; they had to rely upon imperial authority to show their own worth and come together into a literati group to perform their functions and actions. Thus China's traditional intelligentsia were obliged to participate in government, but they also lost their original creative spirit to the iron will of the ruler, and lost the chance to use their talents independently. They put on a social face, serving above and reaching below, managing the nation and governing the world, and serving the wishes of the royal authority and yet sympathizing with the populace. But in reality, they had difficulty communicating with the people, because they were constantly out of touch, so there was a distinction between the "gentleman" and the "knave." This made the literati "still pine for officialdom while out of office." When their services were not used, they sang a poignant lament, were fed up with the world and even with life and death, and preached a kind of detached understanding which was very close to a religious consciousness. Yet, inside their hearts they still held the conscious or unconscious maxim: Allegiance to the king is the same as patriotism, to be a patriot one must first be loyal to one's king.

Qu Yuan [1448 0626], the first outstanding intellectual representative of the integration of the culture of Chu and of the Chinese Central Plains, was well known for his thoughts about allegiance and patriotism. The contradictions between the Chu culture's primitive vitality and the primitive culture's Confucian thoughts on the patriarchal system were entangled in him. He revered Yao, Shun, Yu, Tang, Wen, and Wu, regarded the rule by the three ancient dynasties [Xia, Shang, and Zhou] with great affection, and revered the wise rulers of old. Thus he "depended upon past sages to manage the center, and with signs, he trusted his heart to pass through the present." But the resistance of the vitality of primitive life and its power to psychologically motivate the poet let him express his own "inner beauty" and "nurturing ability," and not only "grow grass for his own use," but flaunt the talent to discover himself, soar unfettered as a heavenly steed, or enjoy a solitary fragrant flower. This kind of very complex mentality prompted him to be unyielding in his pursuit of his own beautiful and good ideals, however, a plaintive satire swept in from time to time. He "feared the defeat of the imperial entity," and could not forget that "the minister fulfills his moral obligations." But he was dissatisfied with the Prince of Chu, feeling that he could not distinguish between the talented and the incompetent, the loyal and the treasonous. Therefore, he lamented that the morals of the world were not as of old, that the evil and corrupt usurped power. He ate food, but it was not tasty; he would have set it aside, but he could not. "While I know

it is asking for a calamity, yet I cannot bear to discard it." In *Remembering the Sands* [Hui Sha], written just before his death, he once again strongly stressed these paradoxical feelings. In the end death was a means to keep faith with his thought and character, by seeking eternal release from extreme pressure. Behind the psychological satisfaction of "honor by death" was the "phoenix's wings bearing its banner; high does it soar on them." Was this not a way of completely "retiring into the background?"

If the vexation of the literati officialdom in unjust periods could be expiated only by death, then in the period of the Wei and the Jin, self-destruction of the flesh became the "heavenly release" of the spirit. Of course, this was connected to the interpretations of the voluminous Buddhist scriptures of the time, and to the concept of emptiness in Chan. The notion of Chan gradually became imbedded in the hearts of people and performed an important adjustment function between Confucianism and Daoism. Buddhism played a mediating role between the Confucian idea of involvement in worldly affairs and the Daoist idea of detachment. It became a lubricant for the stagnation of the literati, who faced the choice of advancing or retiring. It also solidified the contrasting characteristics of the literati class order. For example, Ji Kang [1518 1660] and Ruan Ji [7086 4694] acquired everlasting fame by "not belittling the *Zhou Book of Rites* [Zhou Li] for the sake of Tang or Wu"; they would not serve and thus suffered terribly. They shrugged and said, "Wealth and poverty are set by fate, why should one seek them?" to comfort themselves. They wandered carefree, "eyes following the geese flying homeward, hands playing the five-string instrument." As he felt the exaltation of "lifting or bending one's head at will, and letting the roving heart take its mysterious course," Chong Wen [6850 3306] reviewed the cosmic meaning of the words "Nature and Man are one." But deep inside, he could never forget that "the sovereign sits quietly above, the minister bends below" (Sheng Wu'ai, *Book of Joy* [Le Lun]), and "the sovereign and minister may not change places" (*Book of Joy*). He headed for a peaceful and prosperous world, while remembering the ethics of the three guiding principles. Ji Kang, unrestrained, wild, and arrogantly disdainful of the world, still sighed that "The people of Chu are dead! Who has stopped talking?" Ruan Ji spoke of an "ode about morals conforming to destiny," but also said that "one does not speak of others' faults." When Tao Yuanming [7118 3220 2494] realized that he had been mistakenly caught up in the secular trap, he turned around to "stupidly return to his fields." Yet if he felt that, "despite being in a cage for a long time, he was able to return to nature," why then did he show "such a fierce expression"? It was because "time discards man, and he is not used despite his aspirations," and because "While heaven brandishes its weapons, wild ambition remains."

During the Tang and Song dynasties, Buddhism flourished. In the Tang period, first Daoism and Buddhism converged, and then artistic conception loosened and

theoretical discussion flowed. In the time of the Song, Confucianism and Buddhism opened up channels to each other, finally becoming one system of philosophy. When the preeminent abilities of the literati were favored, then "suddenly one could see the flower of eternal peace everywhere." When times were not good, then "the next morning they sent out flat-bottomed boats." This kind of contrary mentality existed among the literati officialdom everywhere, and was not restricted just to Meng Haoran [1322 3185 3544] and Chu Guangyi [0328 0342 5030] during the flourishing Tang dynasty, but also existed among Gao [7559], Cen [1478], Wang [3769], Li [2621], and other border area poets. During the middle Tang period Liu Yuxi [0491 4416 6932], Li Shangyin [2621 0794 7148], Du Mu [2629 3668], Wen Tingjun [306 1656 4596], Nie Yizhong [5119 1138 0022], Du Xunhe [2629 5424 7729], and others all had similar experiences. The famous members of the forum of poets in the Song dynasty, such as Mei Yaochen [2734 1031 5256], Su Shunqin [5685 5293 2953], Liu Yong [2692 3057], Yan [2518], his son Shu [2992], and Qin Guan [4440 6034], all expressed hopes of having "remedies for the world," and then they reached middle age and felt as helpless as falling petals. Those who worried about the country all their lives, such as Du Fu [2629 3940] and Han Yu [7281 1937], were sincere scholars who said that "one must disregard one's own body in time of crisis," yet they were prompted to utter words that had hidden Buddhist notions, such as "One must be happy when carefully investigating the theories of matter. Why use an empty name to trip this body up?" Han Yu said "when one's heart encounters unfairness or unhappiness, one must speak out," and Ouyang Xiu [2962 7122 0208] noted, "the poorer you are, the more you work." All of these were disturbed sighs which complained of being caught between advancement and retirement. The literati of China hovered between officialdom and retirement. This was seen in the literary themes of the early Tang, which spoke of mountain villages, land unused by owners, and satisfaction taken from fields and gardens; in official careerists in the Song who considered retiring into the background to be a virtue; and in the Ming's inheritance of the Song joy in meditation while also releasing a venal spirit. One could say that this lifestyle and aesthetic appreciation released the eye and made luxury the norm. Bai Juyi [4101 1446 2496] illustrated images of the inner contradictions expressed by this mentality: "One who is between a sovereign and his ministers is in imminent danger of great humiliation." Because one could not resolve the difficult search for independence of character and be required to conform to a sovereign's authority, one could only actively move ahead while exhibiting a free, leisurely spirit, and play the role of the "idle man" while praying that the sovereign will reign over the court constantly. Thus, "the great retired scholar lives in the city of the court, the minor retired scholar enters a caged grave." But Bai thought that "the caged grave is too cold and desolate, the city too noisy," so why not be a "modest retired scholar by remaining a civil official?" (*Modest Retired Scholar*



[Zhong Yin]). Su Shih [5685 6524] felt the same, saying in a poem, "be a modest retired scholar, if not a small one." In actuality, the so-called "modest retired scholar" was the literati's way of responding to change, and belonged primarily in the self-comforting category of psychological equilibrium. His function coincided with resolving the contradiction between advancement and hiding. The Confucian doctrine of the golden mean gave the literati a survival philosophy to cling to in difficult times. Yet it definitely harbored some high officials who used reclusiveness as a cover for venal gain. Yet on the whole, the traditional literati of China always had to make the bitter choice between the two for their own personal values. On the one hand was Confucian "uprightness," made up of the patriarchal system of order, thoughts of a unified country, a great spontaneous help for man, and so on. These roots ran deep and flourished in the pages of history, yet they were rich in human sentiment and sense of responsibility. On the other hand there was the interaction between Daoism and Buddhism, harmoniously merged, yet free from spiritual vexation. It was the only escape from the emotional pressure brought on by internal and external stress. Therefore, "also help the entire nation" and "help just oneself" not only complemented each other, but also integrated the two contradictory sides of the literati's psychologies. One could not talk about "helping oneself" without talking about "also helping the nation," and vice versa. This was what was meant by "advancement is worrisome, and so is retirement." Once the two were looked at thoroughly, they were not that much different. According to the Buddhist explanation, "Everything comes from the heart. If one understands truth, regardless of what place or heart it comes from, then that is wisdom." Another ancient quoted is, "Success is not honor. Poverty is not tragedy." Both advancement and retirement are worrisome; they are but manifestations of secondary religious sensitivity. The feeling that success and poverty are the same is a secondary religious sensitivity that cooled and crystallized. And yet, are these not all concrete reflections of the meaning of Chan after it changed and became emotional and secularized?

The first oblique facet of the cultural psychology of the Chinese literati came from uniting the contradiction between advancement and hiding. Its philosophical foundation was the convergence of the three religions—Confucianism, Daoism, and Buddhism. Without the merging of these contradictions and without this foundation, there would have been no traditional Chinese intelligentsia. Without examining anatomically the merging of these contradictions and the tacit agreement among the three religions, one cannot really understand the dual nature of the Chinese intelligentsia.

## II. Unruliness and Agreeableness: The Permeability and Variability of Chan

If we are to say that advancement and retirement were one aspect of the self-made contradictions in the Chinese literati's cultural psychology, then unruliness and agreeableness were the aesthetic and artful integration of the

opposing elements of the literati's cultural psychology. Yet, the concept of "moderate harmony" of traditional aesthetic appreciation was the initial coordination between unruliness and agreeableness. This was later injected with Buddhist consciousness and changed and elevated by Chan meditateness, so that the unruliness and agreeableness of the Chinese moved toward an Eastern style of originality which was manifested in a logical combination of the duality of human character. As the Buddhist was wont to say, "To one who marvels, both movement and stillness are marvelous." In *Poetic Form* [Shi Shi], Jiao Ran [4108 3544] commented that one should "not avoid danger, not be amazed by strangeness, be at ease when encountering beauty, not be scarred by poverty, think of far away when near, be direct rather than pedantic, and work for ease when reaching difficulty." This specifically reflected the resulting duality of life and art.

Some feel that the notion of unruliness traces back to Confucianism, because in the *Book of Analects* [Lunyu-Zihu] it reads, "Confucius said, 'Should he who cannot get his way and desires it, be aggressive or timid? The aggressive will gain; for the timid there is nothing.'" The *Sun Goods* [Yanghuo] mentioned that "the ancients were raucously unbridled." When one was agreeable, or called it retirement, it was a manifestation of a kind of wandering, self-satisfied bliss, and was ever closer to the Daoists, who believed "the real concept of retirement comes from the life of Zhuangzi." Actually, while Confucians and Daoists differed in a social and a natural sense, what the Chinese refer to as "unruliness and agreeableness" was unified in essence. Unruliness was a kind of self-satisfaction, but so was agreeableness. The difference was how self-satisfaction was achieved in terms of emotional parameters and circumstances. Thus they could not be separated; they were opposite to each other, yet it was hard to cut them apart. As Confucianists talked about "unrestrained and timid," Confucius and his disciples particularly appreciated an attitude toward life which combined unruliness with agreeableness. In the *Book of Analects*, Bo Yi [0130 1138], Shu Qi [0647 7871], Yu Zhong [5713 0112], Yi Yi [1138 6654], Zhu Zhang [2612 1728], Liu Xiaohui [2692 0007 1920], and others, were cited as examples of hermits. But Confucius considered Bo Yi and Shu Qi people who "did not lose their ideals or humiliate themselves." Was this unruliness or not? Also, Yu Zhong and Yi Yi were "recluses who spoke their minds freely, were pure in body, and struck a balance in opportunity out of office." How did one distinguish between a true recluse and a false one who really cannot abide loneliness? So the ideal person promoted by Confucianists was often unrestrained yet relaxed, not too unbridled, yet not completely at leisure. So, from time to time, Confucius wanted to "help people overcome hardship" (*Harmony* [Yong Ye]), and yet "if the way was not passable, float out to sea on a raft" (*Justice and Seniority* [Gong Yechang]). This kind of dual character was a fine example of the combination of both unruliness and agreeableness in one body. Therefore, when Dong Zhongshu [5516 0112 5289], who believed



that "heaven does not change, and neither does the Way," was thrown in prison, he wrote *The Scholar Met No Benefit* [*Shi Bu Yu Fu*]. Wang Anshi [3769 1344 4258], who actively sought political reform, studied Laozi and also proposed that "stillness is the master of movement." Conversely, Daoism also had an unrestrained facet, as when Zhuangzi said that "If one does not belong to a group, then his fate is up to Heaven" (*Horses' Hooves* [*Ma Ti*]), and "Let him indulge in the passions of his life" (*Joined Fingers* [*Pian Mu*]). "Release by heaven" fit the sense of nature, but not necessarily the unruliness and indulgence in passions as prescribed under the moral standards of the *Book of Rites*. It was in definite violation of etiquette, which Laozi hated, because "the start of disorder came from meager honesty and loyalty." For this reason, just in discussing aesthetic appreciation, the artistic flavor of China's traditional "moderate harmony" was very strong. From the standpoint of Chinese philosophy, "moderate harmony" was another way of saying "Nature and Man are one," and it was not not exclusive to Confucianism; even its early origins cannot be attributed solely to Confucianism. Some examples are: "The eight musical instruments create musical harmony, with no discord among them. The Gods and Men are in harmony" (*Canons of Yao and Shun*,—*The Book of History* [*Shang Shu-Shun Dian*]); "Yin and Yang are in virtuous harmony; hardness and softness form a body; the principles of heaven and earth give it substance, and communicate the virtue of the gods" (*Book of Changes*); "Nature and I live together, Nature and I are one" (Zhuangzi, *Theory of the Uniformity of Things* [*Ji Wu Lun*]). One can see that everybody had a different version of "Nature and Man are one," and all sang praises of the "moderate harmony." "Moderate harmony" could coordinate beauty with good and also make beauty and truth into one. So, "first there is refined literature, then there is the gentleman"; "although we differ, we both have this inner beauty, so we can be neutral and nurture our abilities"; "loyalty and faithfulness are internal, we must be externally moved"; and so forth. All of these integrated beauty and goodness: "Nature's laws are honorable and true"; "What Heaven has conferred is called Nature, what one adheres to is called principle." Therefore, unruliness and agreeableness were the literati's psychological externalization of the consolidation of many facets of philosophical thought of Chinese traditional culture.

This kind of contrary disposition of "unruliness and agreeableness" on the part of the literati was really formed after the time of the Wei and Jin dynasties, and became psychologically fixed during the time of the Tang and Song dynasties. In this process, the influence of Buddhism permeated and created an extremely important effect: an ability to mediate and bond everything together. If we say that the "moderate harmony" of the early Qin dynasty was marvelous because of the ability to separate factors that start with form and descend, such as sound, color, form, and state, from those that start with form and ascend, such as the Way, the Spirit, the Absolute, and other rather mystical items, then the

merging of Buddhism with traditional thought brought everything together to form one body. This was what Buddhists meant by "accommodating to circumstances" and the so-called "roundness to fit all natures." On the one hand was the philosophical position of "responses of gratitude between Nature and Man." On the other were theories concerning spiritual form. Furthermore, formlessness prompted the literati to have a style of thought which leaned gradually toward a "consciousness of the round." Thus, in an unrestrained mode, one could see the virtue of agreeableness, while in an agreeable mode, one could see flashes of unrestrained "responses between Nature and Man." The eminent monk Hui Yuan [1979 6678] described this mentality with great artistry in *Ode in Praise of the Six Golden Images of Xiangyang* [*Xiangyang Wen Liu Jin Xiang Song*]:

"A stone image moves three times, yet the skeptics are freed. The prayer wheel goes round and round three times, and then is taken away. The secular and the spiritual join, nature and man dream at length. Pleasantly clean sounds gradually fade into the distance; close wind and distant fan, good teaching from afar.... Although one can pleasantly taste the residual dust of the world, the wind of the Way then comes, with leisurely but measured step. Original traces are now remote. Every thought is about light and shadow, resembling appearances, remembering in slumber, as if forming an inner picture."

In a discussion of existence and non-existence, and renowned religion and nature, Buddhism was to be used as an intermediary to reconcile the two; proceed to express directly from the heart, without fear or reservation, and meld unruliness and agreeableness in one pot. "Aside from unrestricted release, there is beauty; aside from beauty, there is great strength." The *Book of Analects* annotated by Wang Bi [3769 1732] stated, "If a great person can be warm but strict, stern but not fierce, respectful yet secure, he will have a nameless rightness." This was a true portrayal of the mentality of the "Seven Worthy Men of the Bamboo Grove". In the past, Jiang Ji [5592 3444] and Cao Shuang [2580 3642] repeatedly asked Ruan Ji to come and be appointed an official, but he repeatedly declined. Later he did reluctantly come out, but then claimed illness and resigned. He was deeply concerned about helping the world, but was highly dissatisfied with dark reality, and said that "once one soars to the sky, one will make no sound in the vast world." This statement was unrestrainedly strong in character, yet poignantly stirring. But in *Gift of Clear Thought* [*Qing Si Fu*], he submitted that "Subtlety has no form and solitude has no hearing. Afterward one can retire modestly, free and clean." He believed he had a "heart of ice and character of jade, so my thoughts are pure and clean. There is tranquility without desire, and equanimity fits my temperament."

During the Tang dynasty, Buddhism sprouted everywhere, Chan was popular, and the southern school promoted the idea of "sudden inspiration." This was the idea that one's own heart was saintly, which motivated

the literati not only to move toward the great embrace of Buddhism, but also further developed "unruliness and agreeableness." Those such as Wang Wei [3769 4850] were especially close to the temple. He was so proficient that he was invited to compose a "Memorial to Six Founders of Buddhism." Liu Zhongyuan [2692 1350 0337] often toured with Buddhist monks, and wrote a "Memorial to Founder Cao Xishi" [2580 3305 1102]. Liu Yuxi and Yue Hengshan [1471 5899 1472] had close contacts with the monks on Niutou Shan mountain. Li Ao [2621 5063] visited Yao Shan mountain and "turned to the mystery of the founders." Pei Xiu [5952 0128] paid obeisance to Xi Yun [1585 6663], his mentor, and had a sincere heart toward Buddhism. All were famous Tang personages closely connected with Chan masters, and their thoughts were in consonance with each other. Li Bai [2621 4101], who leaned toward Daoism, also indulged in Buddhism. He sang such praises as "one can sit motionless and alone at a banquet, yet the great Buddhist universe can enter through a single strand of hair." Du Fu, a master Confucianist regarded by all as a "poetic saint," also said that "I will send my body to the Double Peak Temple, and seek the Seven Founders." The development of Buddhism was especially great during the Song dynasty. Wonderful stories have been handed down through generations and are ever popular, stories such as Su Shi [5685 6524] listening to "Heartless Words," a hall of repentance in a mountain ravine, and receiving inspiration from smelling the fragrance of sweet-scented osmanthus.

The southern school of Chan canceled monastic rules, and established "sudden inspiration," that is, using circumstances to show signs to man. This in itself was a very unruly act, in addition to being an attack on orthodox Buddhism. The answers to the question, "What is the great meaning of Buddhism?" were evasive, unreasonable, and made no sense: "How much is a vessel of rice?" (the chapter on the "Qing Yuan [7230 3293] Dialogue"); "The sky does not impede the white clouds" ("Stone Talks" ["Shitou Yu"]). These answers did not seem to come from a conscious mind, and yet they seemed very satisfactory to the eyes of a Chan master. The form and content of the answers were within the boundary of awareness, and did this not reflect unruliness and agreeableness? Therefore, when poets in border regions rose without restraint, it was said that "one cannot return without breaking the balcony." There was admiration for "a person on a high beam, unrestrained and fearing nothing; when the end of the road comes, the inner energy will overcome everything and provide security for oneself." When discussing theology with a Chan master, profundity was not fathomable, and there was disdain for the worldly and even for a chivalrous sense of mission: "Do not speak of wealth and fortune being held for long; a rose of sharon looked at in the morning will droop and drop at dusk." The pastoral and nature schools of poetry also sang unrestrainedly: "Even when one dies, one can smell the aroma of chivalrous bones." Even Meng Haoran [1322 3185 3544] expressed the remembrance of "the memory of the countryside while

never forgetting the summons by imperial edict." Once retired, one can only "sit and watch the fisherman, envying the fishing scene."

The mentality of unruliness and agreeableness appeared from time to time in the private lives of the literati. The so-called "remote lifestyle," "famous gentlemen's lifestyles from ancient times," etc., also encompassed the externalization of their venal desires. China has an ancient saying that "when a woman thinks of sex, there is a gentleman enticing her." In a feudal society, where a male was respected and a female debased, the sexual notions of the literati were more wanton and much freer than those of women (even worldly women were no exception). Of course this reflected the lamentable state of male or husbandly domination, but did it not also clearly explain that, in the literati husband's lifestyle of wantonness and agreeableness, there was no separation between unruliness or timidity and letting desires run amok? During the Tang and Song periods, Buddhist philosophy turned from spartan austerity to letting desires run free. It no longer required meditation or reading of the scriptures- "sleep when you wish, sit where you want"- and preached with suggestive words which aroused lust in people's hearts, and spoke blatantly of performing the miracle of "not leaving the devil's realm, yet entering that of Buddha." Afterwards, Buddhist monks and proper persons reveled in the invitation of Du Mu's "In deep Autumn, cloth curtains hide a thousand lovers, and the sun sets on the veranda to the sounds of a bamboo flute"; and Cui Hu's [1508 6233] "Where man's face has turned to one does not know, but a peach blossom continues to beam sweetly," and other love poems. Nevertheless, conforming to Buddhist theology gave direct expression to the lust of the heart and heated passion. Renowned Buddhist master Shi Tou Xi Yu [4258 7333 1585 6596] went even further by borrowing the theme "I would rather be forever doomed to sink into depravity than seek salvation and redemption from the saints." So, monks ate meat, drank, whored, and lived fast and pleasurably, spurred by sights and sounds of flesh. As long as "Buddha" was acknowledged from time to time in the heart, there was no need to take stock of anything or find a new explanation for things: "There was originally nothing, so why stir up dust?" To motivate and educate those in the first stage of conversion, Ma Zu's [7456 4371] disciples Gui Zong [2981 1350] killed serpents, Nan Quan [0589 3123] slew tigers, Zhao Zhou [6392 1558] set fires, and Zi Hu [1311 3275] cried "Thief!" in the night. They were extremely wanton. Ge Zhaoguang's [5514 0340 0342] *Chan and Chinese Culture* [Chanzong Yu Zhongguo Wenhua] gave a detailed introduction about those Buddhist masters who could no longer endure the celibacy of reading alone.

A careful look at the historical development of Buddhism readily reveals that the ranks of monks were made of three groups: The first group consisted of eminent monks, descended from prestigious or scholarly families, who were sincere in their devotion to Buddha. They

trained hard, annotating scriptures, writing, reciting, and responding to poems and verse. Their unruliness was mild, empty, and natural. On the one hand, they disseminated the idea of Buddha so as to occupy a rightful position in orthodox Chinese thought. On the other hand, they introduced the Confucian ideas of "benevolence" and "refinement" and the Daoist "peace and quiet" and "action through inaction" into Buddhism, so as to stand on firm ground and enrich Buddhist archives. While there were not many of them, and while some individuals came from lowly backgrounds (such as Hui Neng [1920 5174], one of the Six Founders), they were the best and brightest of the Buddhist disciples. Their "unruliness" more than likely came from "inspiration" or an attempt to find it, so it was molded out of agreeableness. The second group was the so-called mass of monks, whose cultural level was comparatively low. They could fetch water or gather firewood, and could also recite the scriptures and worship. All entered the order to leave the hardship and worries of the secular world and to discipline and restrain themselves. They were devout believers, but at the same time were blind followers. They were in the vast majority, but performed no leadership function; they represented primarily the power of the faith, and demonstrated its broad scope and power. The third group was composed of the "smart" disciples, who were models for both religious and secular roles. Their origins were rather diverse. Some came from prominent families, and were scions of the nobility; some were the last survivors of landowner families who had fallen on hard times; and some were somewhat talented or gifted students or near scholars. Then there were some from all kinds of complex backgrounds who had suddenly and impulsively tired of the worldly state and a dissipated society. Their route of inspiration and awareness was not the same, nor was their final destination, but most of them were half-wanton and half-refined acolytes, "celebrities" who had really shaved their heads to enter. One cannot say they were not sincere or lacked will, but they were dissolute, had great desires, and accumulated many sexual exploits. They shifted from agreeability with nature to natural agreeability, to an unruliness that would not study scriptures or learn the faith, but that relied instead on their ability to understand by themselves, and to unruliness in places of pleasure, and thought they could become holy. If so, they could some day be advanced, become immersed in the religion and even become abbots, teach newcomers, and beg for alms. But some, once they discarded the monkish garments, would become playboys or thugs.

Due to the complex composition of the monk population, and particularly due to the rise of the craze of unruliness, Buddhist understanding shifted from rejecting wealth and fortune for serenity and quiet to limitless lust. It was said that, "If the heart is peaceful and quiet, leave the throng and seek individual fame. By going from being discriminating to non-discriminating, one would see wine and flesh houses everywhere, and take song and music as the norm." If so, it would greatly stimulate those literati who did not swell the Buddhist

temple but were so inclined, so that primitive vitality and desire, under the guise of "unruliness and agreeableness," would spread and revive. In the time of the Tang and Song, not only "glamorous" literati such as Wen Tingyun [3306 1656 4596], Wei Zhuang [7279 8369], Xue Zhaoyun [5641 2507 5636], Mao Wenxi [3029 2429 6832], Niu Xiji [3662 1585 3444], and others went to places of entertainment, but even poets such as Li Bai, Bai Juyi, Li Shangyin [2621 0794 7148], and Du Mu sometimes caroused and kept company with prostitutes around the countryside and in places of pleasure. Everyone knows the antics of Yuan Zhen [0337 4466] and Lin Guchu [0109 1324 2806], and the affairs of Yan Shou [0917 4849] and Zhang Jizhi [1728 4694 0037], not to mention those of latecomers Yan Shu [2518 2992], Yan Jidao [2518 0415 6670], Ouyang Xiu [2962 7122 0208], and Liu Yong [2692 3057]. In the Ming and Qing dynasties, following the romanticism of the time, sexual relaxation of the literati's personality found form in private life as well. The less restrained, the more agreeable. The Gong'an [0361 1344] School's belief that "independent expression of sexual awareness was not to be restricted to anything," and Tang Xianzu's [3282 7359 4371] "dream of love, act out the dream," not only made sex in the name of love right aesthetically, it also gave the green light to sexually liberating theory. These new kinds of labels conformed to the "human awakening." Thus, the south produced the fashionable news of the talented Tang, Zhu [4376], Wen, and Zhou. Countertraditional sex and pleasure stories and novels that loosened mores appeared, such as "The Oil Vendor Takes the Flower," "Jiang Xing [5592 5281] Meets the Pearl Gown Again," "Monk Bright Moon Gives Absolution to Emerald Willow," *Plum Blossom of the Golden Vase* [Jinpingmei] and *Dissolute Tales* [Fengliu Yu].

The satisfaction gained from such wanton yet agreeable sex stories reflected the wavering of traditional feudal ethics of the Ming and Qing, and also expressed the feudal literati's internal suffering and contradictions. It also reflected an attitude toward life which was gradually changing from trying to redeem the world to enjoying it.

### III. Broadmindedness and Forbearance: The Integration of Pragmatism With Chan

The third facet of the literati's cultural psychology can be termed the integration of "broadmindedness with tolerance." It came from extending and developing the other two aspects. At its core, Chinese philosophy was humanistic. A major characteristic of this kind of traditional philosophy was the latent and general existence of practicality. Confucianism's ethical principles were especially rich and colorful. Therefore, the freedom of the Chinese to understand was not the freedom of individual subjectivity, but was built upon ethical principles in human relations that could not be superseded. Blood relations and experience were the basic starting points of indigenous Chinese culture. Buddhism and Daoism, viewed objectively, were in reality grouped with Confucianism, often supplementing it or studied in combination with it. The "detachment from the world" or

"detachment from life" promoted by Zhuangzi had as its goal the removal of worry or the reordering of objects, in order to finally achieve enduring changes through the ages, and reach the "attained way" of nature. Its quality conformed to the ideal society of Confucian teachings in practicality that celebrated the complete human character and acquiescence to heavenly will. Mengzi [1322 1311] said that "People are the most important, and then society; the sovereign is the least important." Mozi's [1075 1311] "concurrent love," "favor the virtuous" and his long-recommended "words must be checked three times" were learned from experience, yet were very practical ideals for helping the world.

In addition, China's pragmatism has been long-term, consistent, and, even today, has not wavered because of the encroachment of Western knowledge. China is unlike the West, which has had an array of ideologies in recent times that were irrational and yet occupied places in the market. Examples are Schopenhauer and Nietzsche, who both stressed the will as the source of power. Under the prodding of traditional thought and in this kind of philosophical atmosphere, Chinese literati could not tolerate non-existence. At any time there may have been unbridled willfulness, but dissolute people such as Liu Yong, who lingered in pleasure palaces and grew drunk on the songs of prostitutes, were still in the minority. For the majority of the literati, "lust and desire" were signs of a certain phase, and the ideas of having concubines and seeking paid pleasure were connected to the traditional Chinese ideas of the "true man" and contempt for women. Deep inside, there was a strong drive to observe "etiquette," suppress desire, and harness individuality. Therefore, when wine and song were regarded as terrifying temptations, women were often looked upon as a source of calamity. Even when a man sometimes faced a crisis that threatened the lives of his family and struck at his roots, he would restrain himself, saying, "If we do not forebear the little troubles, we will disrupt the larger scheme." Confucius said, "There must be one all-applying principle," and that principle is "benevolence or forgiveness." It was said that "the benevolent love mankind." Is benevolence far away? "If I want to be benevolent, then the time is now" (*The Recorder*). Here, "benevolence" also has the basic meaning of "forbearance." Thus, "Do not do to others what you would not have others do to you" and "Self-restraint and respect for etiquette is benevolence" (Yan Yuan [7346 3220]) were golden rules. They were etched historically into the beliefs of the Chinese people, as proper behavior and were supported by them. Laozi strongly stressed, "defend the woman, protect the humble." He pointed out repeatedly that "Under heaven, nothing is weaker; yet those who could attack the strong cannot conquer it" ("Chapter Twenty-Eight"). The weak and humble do not actually contend over any given day's issues, and thus can protect themselves in the long run, so one must know when to be "satisfied" and must "treasure the weak." Chinese Buddhism stressed "no face, no thoughts, no resistance," and thus exemplified a kind of philosophy of forbearance.

Yet the needs of life cannot be denied, and man's self-expression and values are natural revelations of externalized vitality. While forbearance, in effect, is a kind of strong self-restraint, it can sometimes be an unavoidable form of self-denial. As a result, no one can simply have self-restraint and have no release. Therefore, to maintain a psychological equilibrium, one must open an exit for thought. Thus, as the literati understood forbearance, they concurrently invented a "broadmindedness" to dissolve the pressure and fit their psychological needs. This "broadmindedness" had several meanings. First was a philosophical optimism. Second was a sense of tolerance, accomplishment, and enlightenment. Third was a feeling that, at the same time that there was a self-intoxicating agreeableness, there was still a sense of unrestrained detachment from the world, of "I'll do as I see fit." In the past, broadmindedness often took the form of poetry and prose, wine and music, or wandering tours in the countryside, looking for sages and philosophers or meeting with gifted people to try to unravel the mysteries of life. Some harbored endless resentment and anger, and let off frustration through compositions. Cao Zhi [2580 2784], who was renowned at the time for his skill in composing the "seven-character verse" comforted himself with "man's life is not eternal, so excuse him for leaving his name to posterity." The body may die, but the name remains: this was the broadmindedness needed for psychological equilibrium. Similarly, the psychology of being both broadminded and patient had many examples in the works of Li Bai, Du Fu, Yan Zhenqin [7346 4176 0615], Zhu Xi [2612 3588], Lu Jiuyuan [7120 0046 3220], Yuan Mei [5913 2653], and Cao Xueqin [2580 7185 5367], as well as the in the "Eight Demons of Yangzhou." For example, Yan Zhenqin achieved a self-styled broadmindedness: an "overturned carriage and fallen horse do not alarm." Buddhism used the concept of weightlessness to sum up: "The capacity of the heart is big enough to spread throughout the world of the faith" (Tan Jing [1086 4842]). By the Ming dynasty, after wanton Buddhism became popular, the idea of being "broadminded and forbearing" was acted out. The "streets were filled with holy men" and "fetching water and gathering firewood were but the way of Buddhism." During the Qing dynasty, belles lettres were revived, scholars buried themselves in the ancient books, and the contradictory nature of the "broadminded and forbearing" mentality became even more widespread among the literati of officialdom. If one did not produce "inferior" verses, then one had to keep company with wine and verse, commune with rocks and woods, turn patience into broadmindedness, and not be "confused."

"Broadmindedness and forbearance" were a contradictory and mutually opposing pair, but in the minds of the literati they appeared harmonious and unified. Why should there be a need for "broadmindedness" if there was no "forbearance?" Without "broadmindedness," "forbearance" would not last for long. Actually, broadmindedness was an escape valve for forbearance; when "patience is the only way to be" one had to have a



capacity for broadmindedness and intelligence in order to release the accumulated pressure. Only then could there be inner peace and something for the spirit to rest upon. Yet, the motivating power for equilibrium came from a mystical summons, a "response between Nature and Man" and an understanding of all things on earth: "the universe is in one's hand, and the body goes through numerous changes when born." This gave birth to self-confidence, self-comfort, and self-satisfaction. People in the past said, "If one does not know the *Spring and Autumn Annals* [*Chun Qiu*], one cannot be involved in world matters." "If one does not know Zhuangzi, one cannot reject the world. If one does not join Buddhism, one cannot leave the world. This is what I say about knowledge." These were equally important, so forbearance, should it become broadmindedness, could be thought through and all things resolved.

Summing up all of the above, "advancement and hiding," "unruliness and agreeableness," and "broadmindedness and forbearance" can be considered the three faces of the Chinese literati's cultural psychology that reflect how Buddhism, after it expanded, occupied

their minds. The psychological structure was supported by these three, and its development may have been colored by the different characteristics of each era. Yet the overall spirit did not change, and prevailed through the ages. It flowed from the same veins as China's indigenous philosophy from as early as the Zhou period, but it has been closely linked to Buddhism, which was a foreign import. After Buddhism appeared in China, it drew closer together, and gradually assumed a definite form after thorough study. The positive and negative aspects, and the good and bad roots of China's traditional intelligentsia all fed off this dual mentality. We often see its attractiveness, and then we discover its lack of appeal. We take pride in it, and then feel self-deprecating and apologetic. From time to time, as we flip through the pages of Chinese history, we see an image of what was inside the heart of the intelligentsia: they bear a heavy burden, yet hum a light and happy tune; they search for dreamland, yet do not dare to shut their desperately tired eyes. Ropes that can never be cut bind dark thoughts into perpetuity. Man's quest in the world is marked by obstinacy and punctiliousness.



**Li Xiannian Remembers Marshal Xu Xiangqian**

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[Article by Li Xiannian (2621 0341 1819): "Mourn With Deep Grief for Marshal Xu Xiangqian"]

[Text] At 0421 on 21 September 1990 Comrade Xu Xiangqian, an outstanding communist fighter, a great proletarian revolutionary, and a military expert, departed this world. He was a star among the Chinese people, and he was also my friend, my mentor, and my comrade-in-arms. His death is a tremendous shock and loss to all of China's people and to the officers and men in the whole PLA. My lingering heaviness, grief, and stupor will be even harder to shake.

In more than half a century of struggling together, I have a deep understanding of Comrade Xiangqian. He was a loyal Marxist who had a staunch belief in communism, was undaunted by repeated setbacks, and fought without rest. He was wise and brave, careful and decisive, an expert in arranging military affairs, and masterful in war. As a public servant, he was magnanimous and unselfish, resolute and earthy, interested in the whole, modest and prudent, and uncorrupted and law-abiding.

In his youth, the fact that Xiangqian accepted the Marxist world outlook and took the road of fighting for the cause of communism was not an accident.

In 1924, Xu tested into and enrolled in the first class of the Whampoa Military Academy, aspiring to save the country and the people. Immediately, he was confronted with the two ideological trends of the three principles of the people and communism. He was forced to make a historical choice between the two. Henceforth, in the next two plus years, he established a deep friendship with Jiang Xianyun and some other Communists, firmly struggled against the rightists in the Kuomintang, and read quite a few Marxist-Leninist works and progressive publications. In the end, after traveling widely south and north of the Chang Jiang during his military career and repeatedly pondering, observing, and comparing the doctrines and words of the Nationalist and Communist Parties, Xu firmly believed that the Communist Party is the real revolutionary party and that communism is mankind's most ideal and most glorious social system in conforming with the laws of social development. On the night before the April 12th Counterrevolutionary Coup, he resolutely entered the CPC. This also conformed to the characteristics of his nature. The young Xiangqian and those trendy, limelight-seeking "fashionable" personages who treated their beliefs as if they were trifling matters or tools were poles apart. He was serious toward life and dedicated enough in his convictions not to drift with the waves. Moreover, he rigidly sought after the truth and was given to careful consideration; opposing Xu was difficult and those pursuing him were far away. Once he had made up his mind, he was duty-bound not to turn back; all his life his attitudes did not change. For more than 60 years, he staunchly fulfilled the pledge he

took when entering the party. No matter how strong the enemy, how hard and dangerous the environment, how complex the intraparty struggles, or how winding the road of revolution, Xu always steadfastly believed in the inevitable victory of the communist cause and fought tenaciously for it, to the point of not resting even when on the verge of death. It is just as he said in his recollections, "The road of communism is rugged and rough, but I firmly believe that our party and people will definitely, as always, hack their way through difficulties, advance with giant strides, and be victorious in attaining their goals." On his deathbed, Xiangqian's last words to his children were, "Forever follow the Communist Party and be the good sons and daughters of the party and the people." This shows a great communist fighter who had steadfast belief and deep feeling for the party's cause his entire life.

Xiangqian was a profound theoretician, a self-cultivated intellect, and a discriminant course-follower in complex environments. These were the basic qualities that allowed him to become a great proletarian revolutionary and military expert.

He studied painstakingly and diligently, tirelessly, and perseveringly; he lived to an old age, and he studied to an old age. He not only extensively read books thoroughly and cursorily, accumulating a variety of knowledge, but he also paid particular attention to meticulously studying Marxism, Leninism, and Mao Zedong Thought, as well as ancient and modern Chinese and foreign military works. Xu's numerous works and statements all radiate the ideological glory of historical materialism and dialectical materialism. He was China's teacher of Marxist theory and military learning. In the Red 4th Front Army, he and I often ate and lived together. So long as we had a little idle time, he would grab his books and silently plow through his reading. My interest in successfully reading Marxist-Leninist and military works to unify the lessons of war to continuously improve the art of battle command cannot be separated from Xu Xiangqian's teachings and help.

Xiangqian consistently upheld the principle of combining theory with practice and was good at using Marxist positions, viewpoints, methods, and perspectives on the nature of things to forecast the revolution's process and to decide operational directions in numerous and complicated struggle environments. In the days of the serious White terror after the defeat of the great revolution, he was not utterly disheartened, and, all alone, he went from Wuhan to Shanghai in search of the party organization. Later on, he held high the banner of the party's armed struggle, participated in the Guangzhou uprising, persevered in the Dongjiang guerrilla war, and became one of the founders of the Chinese Workers and Peasants Red Army. During the Hubei-Henan-Anhui period, he initially resisted the mistaken "left" "Li Lisan line" for the Red Army to surround and attack Wuhan, but then, side-by-side with Comrade Zeng Zhongsheng, opposed Zhang Guotao's risky plan to

"attack Anqing and threaten Nanjing," thus guaranteeing the continuous strengthening of the development of the Red Army's power. During the period when the Red 4th Front Army was journeying west, while in the canyons of remote mountains in the vicinity of Manchuan, they were surrounded by massive numbers of enemy troops; the situation was extremely perilous. Zhang Guotao advocated dispersing the troops and conducting guerrilla attacks. Xu Xiangqian firmly opposed this idea and proposed using a concentration of troops to break out of the encirclement. As a result, they successfully broke out of the encirclement, preserved their main strength, and opened up the Sichuan-Shaanxi base area. It also must be especially brought up that, during the 10 years of unrest, Xu Xiangqian took the lead in striking the table and rising to his feet at a Central Committee meeting to fiercely "open fire" on the anti-party unrest and military crimes of Lin Biao and the gang of four. This shows the great correctness and healthy tendency and the far-reaching insight of a proletarian revolutionary. When he was very ill, Xu still constantly bore in mind the destiny and prospects of the nation. When General Secretary Jiang Zemin came to the hospital to visit him, Xu sincerely and honestly said, "The present central leading group is Marxist. I ardently expect that Jiang Zemin will be taken as the core of the party center, that the established lines, plans, and policies will be upheld, and that we will struggle to make our country's construction lead China to become a modern, strong socialist power."

Xiangqian, an armyman his entire life, fought countless battles. In the military sphere of the party, his contributions were particularly prominent. His military theory and practice were an important part of Mao Zedong's military ideological system.

Early on in the agrarian revolutionary war period, he took charge of an area for the party and the Red Army and was a famous military commander feared by the enemy for his military prowess. He used the proletarian war outlook and methodology to unite the combat situation of the enemy being large and China being small and the enemy being superior and China being weak, and creatively advanced a series of strategic tactical principles on guiding ideology for army building, guerrilla war, and mobile war. He founded the Red 4th Front Army, this brave and skillful main battle strength of the Red Army, and led the units in creating two major revolutionary bases in the Hubei-Henan-Anhui and Sichuan-Shaanxi areas, subsequently wiping out more than 300,000 enemy troops. Through all of this, he accumulated a wealth of military struggle experience for the party and trained a group of expeditionary and skillful high-ranking military officers. At that time, I continuously worked and struggled under his command, and I have an exceptionally deep realization of and have profited even more greatly from his army-building guiding ideology and his operational command skills.

Xiangqian especially attached importance to the absolute leadership of the party over the Army. He believed

that this was the fundamental mark distinguishing the Red Army from the old armed forces and that this was the source of the spiritual strength of the force. As a result, establishing the concept of the party, founding party organizations at all levels, and strengthening the political commissar (party representative) and the political work systems, are all chief links in enhancing unit construction. Xu ruled the military with strictness—strict discipline, strict control, strict training, and strict bearing. He took himself as the norm and was conscientious and meticulous. He loved the troops as his own sons and emphasized loving the troops from the point of view of politics, from the point of view of tactics, and from the point of view of life. He required commanders at all levels to genuinely become the intimate friends of the rank-and-file and to become as one with the soldiers. He stressed bringing out the characteristics of each unit and of adroitly guiding action according to circumstances in fostering "fist" divisions and regiments within the Red 4th Front Army with offensive, defensive, nighttime, pursuit and attack, and other tactical specialties that would have great use in campaign battles. He held that combat power was the work style; that it was the furnace for forging and molding battle commanders and that it required cadres at all levels to be exemplary leaders, to be heroic and indomitable, to dare to use bayonets until blood is seen, to explode grenades, "to be braced to hold out against it all," and "to persist through the last five minutes." In this way would there grow a fine battle style that is ruthless, hard, courageous and resolute, agile, bold and powerful, quick, not arrogant in victory, and not disheartened in defeat.

Xiangqian possessed an amazing military courage and resourcefulness that knew no fear. The larger, harder, and more vicious the war, the more brimming with energy he became; his vigor would increase 100 times; when he commanded from the front lines he was calm and composed. Xu knew his opponent and he knew himself, he had plans and alternatives, and he was good at judging time and sizing up a situation, at nimbly controlling the enemy, and at handling scarcity and winning against an opponent who had much more. He had extraordinarily firm and ruthless vigor; no matter how ferocious an enemy he faced, he refused to give up. He repeatedly tested his strength, using his strengths to attack the enemy's weaknesses; if he had not sent the enemy to its doom, then he refused to rest. His military orders were like mountains. When he assigned a unit to reach a position at a specific time, the unit had to make it—"if not able to run, then crawl, but crawl until you get to the battle station." His orders were to stand fast at positions; even if only one man remained at a position, he was to hold fast until the end. He paid particular attention to the great usefulness of the broad masses of the people, emphasizing that "in operations the Red Army must as far as possible get the masses to participate" and forming the "strategic tactic of war of the masses," to thus trap the enemy and drown them. When

the approach of the third "encirclement and suppression" campaign against Hubei-Henan-Anhui was imminent, Xiangqian, seeing that the more than 100,000 enemy troops surrounding the numerous base areas had not yet completed their operational-ready deployment, resolutely decided to break with past counter-"encirclement and suppression" battle methods of luring the enemy in deep and fighting inner perimeter battles. He opted for preemptively striking the enemy, fighting outer perimeter battles, attacking enemy strongholds in order to strike at their reinforcements, and annihilating the enemy in field operations. Within half a year, Xu commanded unified military-civilian operations and successively obtained victories in the four large offensive campaigns of Huang-An, Shang-Huang, Su-Jia-Bu, and Huang Guang, and wiped out 40 enemy regular regiments, for a total of more than 60,000 men, thus establishing a glorious military achievement in the history of the Red Army. In the Sichuan-Shanxi base area, on the basis of the geographic characteristics of high mountains and dense forests and easy-to-defend and hard-to-attack terrain in Northern Sichuan, Xu adopted the "tightening up" battle methods of joining positional war with mobile war and commanded the 6th Route Army siege in which the Red Army and regional armed organizations beat back more than 200,000 enemy troops. In the end, after the defensive action in the decisive battle of Wanyuan, the field was so littered with enemy corpses that it was difficult to keep fighting, yet the Red Army took advantage of this victory and turned it into a counterattack. This led to a central breakthrough and an in-depth outflanking maneuver that achieved overall victory in the counter-6th Route Army siege. The total campaign lasted 10 months and 80,000 enemy troops were killed, massively shaking the Nationalist camp. The Red 4th Front Army was transformed from a barely-more-than 300-man guerrilla warfare-oriented armed development to an 80,000-plus-man regular Red Army, which possessed the tactical specialties of both attack and defense, close and nighttime combat, attack against strongholds to wipe out reinforcements, long-range raids and surprise attacks, outflank and encircle actions, and mobile destruction of the enemy, etc. The incomparable, staunch combat abilities displayed in numerous formidable and fierce battles cannot be separated from the command and nurturing of Xiangqian.

During the War of Resistance Against Japan, Xiangqian chaired the Luochuan Conference, at which he actively endorsed the strategic policy of guerrilla warfare against Japan as advocated by Comrade Mao Zedong. Together with Liu Bocheng and Deng Xiaoping, he built the southeastern Shanxi anti-Japanese base area. Not long after, he led a unit of soldiers to the southern Hebei plains to open up a guerrilla war from behind enemy lines. On the basis of the large population and dense village characteristics of the Hebei plains, Xu proposed the strategic guiding ideology of "creating a plains-based 'human mountain'" and a series of guerrilla tactical principles to mobilize and organize the masses into a

"human mountain" and to bring about unified military-civilian attacks against the Japanese invaders. This provided important experience for our party in persevering in and developing guerrilla war on the plains. Later, he went to Shandong to direct the anti-Japanese guerrilla war, where, to counter the new condition of being stalemated by the Japanese invaders' "mopup" operations, he formulated relevant military countermeasures and commanded the Shandong military and civilians in smashing the enemy's several attempted "mopup" operations, which defeated the military clash created by a stubborn enemy and promoted the great development of the Shandong anti-Japanese situation. During the War of Liberation, he commanded the Yuncheng, Linfen, central Shanxi, and Taiyuan campaigns, annihilating more than 300,000 enemy troops. The central Shanxi campaign, in particular, was an artistic military masterpiece showcasing Marshal Xu's high proficiency. At that time, even though he was ill, he sat on a stretcher and directed the battle, which gave powerful inspiration to the other commanders. Within a month, reinforced with the greater part of more than 60,000 troops called up from the regional armed groups, Marshal Xu's comrades destroyed the general headquarters, five army headquarters, nine entire divisions, and two units of the enemy's 7th Group Army, for a total of more than 100,000 enemy dead, and successively captured 14 county seats in the main field of operations to end the war in the central Shanxi plains and Yanxi Mountain. This fully shows Marshal Xu's magnificent daring, strong willpower, and brilliant command talent, and it received high praise from the party central and Comrade Mao Zedong. After liberation, Xiangqian participated in the Military Commission in significant policymaking for a long period of time and in the leadership work of the people's military and the people's armed military strength. He paid very close attention to the turbulent fluctuations in the international situation, was vigilant in peacetime, frequently entered into the investigative research of units and regional bodies, and advanced many important opinions on China's national defense strategy, military construction, militia construction, and national defense modernization, which were all adopted by the party central and the Military Commission. During his more than 60 years as a military leader in the party, Xiangqian took infinite pains and spared no effort in performing meritorious deeds never to be obliterated for the party and the people.

Xiangqian possessed a lofty Communist spirit and the air of a venerable elder. He frequently took Yu Qian's *Lime Song* as encouragement both for himself and others: "A thousand hammer strokes and ten thousand fights to leave the mountains, The raging fire now burns on less urgently. Not afraid of shattering bones nor body, I must remain pure in this world." This reflects Xiangqian's utterly innocent, selflessly respectful, and unswervingly faithful high character and morals.

Xu's breadth of mind was vast, he was open and above-board, his work style was upright, and he thought and

acted in one and the same way. He consistently paid attention to the overall situation, didn't give a thought to personal gain or loss, upheld principles, and insisted on unity. In June 1935, Xu had me lead a unit at top speed to spearhead an offensive against the enemy at Maogong, in order to meet up with the party central and the Red 1st Front Army as well as to have the troops bring food, clothes, and cooks to support our fraternal unit and to practically bring about the combination of the two armies. The atmosphere after the meeting of the two divisions at Maogong was united and warm; the scene was very emotional. After traversing the grasslands, Xiangqian, in considering that the 1st and 3d Army Groups had lost great numbers while traveling 10,000 li fighting in one place after another, and particularly in response to the proposals of the party central and Comrade Mao Zedong, had the 4th Front Army attack and encircle the enemy to open up a passageway for the advance north. He actively supported the central's northward strategic policy and opposed the divisive activities of Zhang Guotao. When Zhang Guotao ordered the West Route Army to move south without authorization and the party central was compelled to lead the 1st and 3d Army Groups northward, there were those who didn't know the true story and who asked whether troops were being sent to intercept Zhang Guotao and his men. At that time, I was at Xiangqian's side, and I saw him answer categorically, "In that case the Red Army will fight the Red Army!" At this crucial time, we must firmly protect the unity of the party central and the Red Army." During the period when the Red 4th Front Army was moving southward, Xu, Comrade Zhu De, Comrade Liu Bochong, and others together united the great majority of the battle commanders to carry out a firm and resolute war against Zhang Guotao's splittism. After the defeat of the West Route Army, Xiangqian endured much spiritual pressure, yet he managed to brace himself to deal with it, overcame it, and took the entire situation into consideration, without any complaints. After the Third Plenary Session of the 11th CPC Central Committee, thanks to the concern shown by the party central, but particularly to that shown by Comrades Xiaoping and Chen Yun, it was decided after diligent investigation and research that the army's crossing of the Huang He and the numerous battles in the Hexi corridor did carry out the orders of the Central Military Commission. Xiangqian believed that this practical and realistic historical verdict was the greatest declaration comforting the battle-bloodied West Route Army and the numerous heroic sons and daughters who laid down their lives.

Xu consistently supported the party's principles, seriously observed the party's discipline and lifestyle criteria, was thrifty and simple, and was honest in the performance of his duties. In several decades that passed as if they were only one day, Xu may be called a model for the entire party and the entire army. His accomplishments are great, yet he was not proud; his throne is high, yet he did not occupy it; his name carries clout, yet he did not rely on it. He was modest and prudent, amiable

and easy to approach, and always appeared with the attitude of the common laborers and the public servants of the people. No matter whether in wartime or a peaceful environment, during his life Xiangqian never thought of himself; he was frugal and disciplined, looked upon luxury as disgraceful, and looked upon thrift and simplicity as glorious. He seriously cultivated an uncorrupted family style, not allowing, under any circumstances, his sons and daughters and other relatives to use his prestige, to use connections, to use the back door, or to curry special privileges. He required them to strive to improve themselves and to conduct themselves with dignity and to carry on the glorious traditions of the party, to be people who are valuable to other people. Xu loved and cared for the masses. He treated the guards, soldiers, and workers who were at his side equally, without discrimination, and was as warm as spring toward them. Liuyin Street was where Xu for many years had a network of contacts with the masses and of working with them to build spiritual culture, and it was an exemplary unit in Beijing street work that was many times commended by the municipal committee and the municipal government. When Xiangqian was seriously ill, I went to the hospital to visit him. He asked me to transmit his last wishes to the party central: First, he did not want people to pay last respects to his remains. Second, he did not want there to be a memorial meeting for him. Third, he requested that his ashes be spread over his old battlefields in the Dabie, Daba, and Taixing Mountains, and the Hexi corridor. Xu came into this world pure, he dedicated all of his contributions to the party and the people, and he left the world just as pure as he entered. His heart was clean and honest as well as noble.

Although Comrade Xiangqian has left us forever, his thoughts, style and features, meritorious service, and character and morals will be like the brilliant, never-falling stars—bright, luminous, and glittering—from which men continuously draw wisdom and courage. Xu was one of the first generation of great stars trained by the Chinese Communist Party and the Chinese people. The party and the people should be proud of this. We should closely unite around Comrade Jiang Zemin as the core of the party central and turn our grief into strength in order to diligently struggle to complete Xiangqian's unfinished undertaking. This is the most profound and solemn mourning we can give for Xu Xiangqian.

#### **PLA Develops Antitank Mine-Testing Device**

*OW13N084690 Beijing XINHUA in English 0816 GMT 13 Nov 90*

[Text] Beijing, November 13 (XINHUA)—China has developed a device for simulated testing of antitank mines, thus doing away with the necessity of using real mines, according to today's PEOPLE'S DAILY (OVERSEAS EDITION).

With this device, the power of such mines to damage tanks or other armored targets can be measured accurately without wasting real tanks.

Experts noted that the device can also be used in testing other kinds of mines.

The device was developed by the No. 2 Institute of the Corps of Engineers of the People's Liberation Army (PLA).

#### **New 'Low-Altitude' Radar Developed**

*OW10N085190 Beijing Television Service in Mandarin  
1300 GMT 9 Nov 90*

[Announcer-read video report by the Anhui Television Network—from the "Economy 30 Minutes" program]

[Text] An advanced international-level modern radar has been successfully developed in Anhui. The radar, called Blue Sky, was developed by the No. 38 Institute under the Ministry of Electronics Industry. [Video shows a dish-shaped metal framework, about two stories high,

rotating on a stand in the open. It cuts to show a close-up of a orange cathode-ray tube screen and shots of a technician monitoring one of the several orange cathode-ray tube screens, each of which is about 1.5-feet in diameter. The shape of China can be seen clearly on the screens.]

Tests and actual application in recent years show that the model is comparable to similar models manufactured by the United States, Britain, and France in terms of its performance in detecting low-altitude objects and its capability of avoiding electronics interference.

One model, called Blue Sky No. 9, which was successfully developed in one year, has been evaluated by senior foreign experts as the most outstanding low-altitude radar. [Video cuts to show a radar antenna rotating, and shots of technicians working with more electronics equipment.]



## CENTRAL-SOUTH REGION

### Hainan Holds Conference Call on Fighting Crime

*HK1311152390 Haikou Hainan Provincial Service  
in Mandarin 2300 GMT 9 Nov 90*

[Text] The provincial party committee and government set up a provincial conference call yesterday afternoon [9 November] to relay the spirit of the telephone conference held by the Central Commission of Political Science and Law on 22 October and to make arrangements for deepening the work on public security province-wide. Liu Jianfeng, vice provincial party secretary and governor, and Wei Zefang, provincial party committee Standing Committee member, spoke at the meeting. Provincial vice governor Xin Yejiang presided over the meeting.

The conference call required all counties and cities and relevant departments to firmly and rhythmically carry on with the crackdown on criminals at a deeper level.

Since May this year, various cities, counties, and relevant departments have contributed greatly to safeguarding our province's social stability and improving public security by giving heavy blows to serious criminal activities.

In his speech, Liu Jianfeng gave full credit and expressed heartfelt thanks to the broad masses of public security cadres and men, armed police officers and men, security cadres, and security enthusiasts, who are fighting unremittingly on the forefront of the crackdown, for their assiduous labor and fruitful work.

Liu Jianfeng said, "At present, our province, like the whole country, is enjoying political, economic, and social stability. The general situation is very good. As far as public security is concerned, through the crackdown since 1 May this year, the rampant tendency of criminal offenses has been somewhat checked, the total number of them throughout the province has somewhat dropped, and public order has become more stable. But we must be able to see that the stability of public order in our province is not highly consolidated, the situation of public order remains problematic, and the rising tendency of criminal cases is still not [words indistinct]. In particular, the number of various cases of violence has continued to increase and criminal gangs have been highly active, causing great damage to society and people's lives and properties. Therefore, we should not be blindly optimistic, nor let go of our mental vigilance. We should have a correct understanding of the importance and necessity of the crackdown and staunchly carry it forward."

Liu Jianfeng called on various localities to reinforce their work on security and control, vigorously promote comprehensive improvement, make energetic efforts to implement well the policy concerning the discipline and style of political and judicial ranks, further strengthen the party's leadership over political and judicial work so

as to guarantee the continuation of the crackdown in the direction of more profundity.

Wei Zefang, standing committee member of the provincial party committee, gave an account of the achievements and experiences in carrying out the crackdown.

Wei Zefang said, "Over the past months, our province, in the struggle of dealing out severe punishment, has cracked 2,402 criminal cases of various kinds, of which 937 are major ones. A number of serious offenders, fleeing criminals, and escaped criminals have been captured. Furthermore, 411 lawbreakers have given themselves up to public security organs."

Wei Zefang said, "We have achieved good results in severely cracking down on criminal offenses in this province. There are four measures that have proved effective: 1) paying close attention by party committees and governments at various levels; 2) mobilizing and relying on the masses on an extensive scale; 3) carrying forward the spirit of fearing no hardship and fighting continuously by the broad ranks of public security cadres and men; and 4) suiting measures to local conditions and highlighting focal points."

Wei Zefang said, "At present, there are still quite a few problems with the crackdown in our province, such as substituting monetary penalties for legal punishment and shielding people on one's own side in some enterprises and nonprofit institutions. Political and judicial organs at various levels should suit measures to local conditions, highlight focal points, guarantee quality, and deepen the crackdown in the coming winter and spring."

## NORTHEAST REGION

### Heilongjiang Report Meeting on Unhealthy Trends

*SK1611135090 Harbin Heilongjiang Provincial Service  
in Mandarin 1000 GMT 15 Nov 90*

[Text] At a provincial meeting to report on the work of some provincial-level departments and bureaus in checking unhealthy trends in various trades held this afternoon, Wang Haiyan, member of the Standing Committee of the provincial party committee and secretary of the provincial Discipline Inspection Commission, gave a speech in which he noted that the focus of this province-wide campaign to check unhealthy trends in various trades is to solve problems on abusing one's powers to practice fraud, to unjustifiedly collect service charges, fines and levies, to embezzle or withhold money or things, to engage in bribery, to extort money from the people, and to take bribes and bend the law. On the whole, the provincial work to check unhealthy trends in various trades will end in the third quarter of next year. This report meeting cosponsored by the provincial party committee and government was presided over by Vice Governor Du Xianzhong. Leading comrades, including

Wang Zhao, Wang Haiyan, Meng Qingxiang, Zhang Xiangling, and He Shoulun, attended the meeting.

At the meeting, responsible comrades of the provincial communications department, the provincial industrial and commercial bureau, the provincial public security department, the provincial department in charge of foreign firms, and the provincial construction committee, gave work reports on checking unhealthy trends in various trades.

On behalf of the provincial party committee and government, Wang Haiyan, member of the Standing Committee of the provincial party committee and secretary of the provincial Discipline Inspection Commission, gave a speech. He said, "We must not overestimate our previous stage of achievements in checking unhealthy trends in various trades. At present there are still many problems. Many localities and units have kept their eyes only on checking the problems of specific personnel at the grassroots and have failed to exert sufficient efforts to clear up problems of some units which make use of government authority or decisions made by the collectives to boldly and assuredly force or order people to pay so-called reasonable and legal service charges, fines, or levies that are collected without the State Council's approval but are merely for the interests of a department or a small group. Some localities have not even carried out this work at all. So, in the next stage of work, we should not only conscientiously straighten out personal problems but also problems of the collectives. In addition to grasping the grassroots, we should also grasp leading organs. None of them should be ignored." Wang Haiyan said, "The key to checking unhealthy trends in various trades is to expose and lay bare the problems. Priority should be given to exposing unhealthy trends in important departments and persons. We should urge the people to boldly bare their selfish thoughts and should never let violators of law or discipline get away unpunished."

At the end of the report meeting, Vice Governor Du Xiangzhong gave a speech on how to implement the spirit of this meeting.

#### **Jilin Launches Winter Campaign Against Crime**

*SK1611143990 Changchun Jilin Provincial Service  
in Mandarin 2200 GMT 15 Nov 90*

[Excerpts] The provincial party committee and the provincial people's government have decided to continuously and deeply launch the campaign of dealing strict

blows to crime throughout the province from the beginning of December this year to the end of February 1991. During the struggle against crime, efforts will be made to relentlessly deal blows to the seriously violent; to the vicious criminals who commit murder, armed robbery, rape, and robbery; to various gangs of criminals; to criminals who are at large; to gangsters; and to the serious crimes of stealing public property or embezzling public funds.

The decision made by the provincial party committee and the provincial people's government was presented to the provincial conference of secretaries from the political and legal commissions under the party committees of various cities, prefectures, and autonomous prefectures, as well as to the directors of public security bureaus. During the conference, the participants heard the report on relaying the spirit of the telephone conference sponsored by the Central Discipline Inspection Commission on continuously and deeply launching the campaign to deal strict blows to crime, implemented the spirit as well, summarized the province's political and legal work done over the past 10 months, analyzed the province's current situation in public security, and studied and arranged the major tasks of the province's political and legal work for the winter-spring period.

During the conference, Du Qinglin, deputy secretary of the provincial party committee and secretary of the provincial political and legal commission, delivered a speech in which he stated, "At present, our province is stable in politics, the economy, and in society, and its situation in public security is also basically stable. However, we must clearly note that criminal offenses currently are still prominent and some problems cropping up in certain fields are quite serious. Therefore, we should uphold the principle of dealing strict blows to them, foster the ideas that there will be no peace without the struggle against crime, that it is imperative to launch a long-term struggle, and that we should maintain the seriousness of the strict struggle against crimes." [passage omitted]

Attending the provincial conference were secretaries from the political and legal commissions under the party committees of various cities, prefectures, and autonomous prefectures; the directors of public security bureaus; and responsible comrades from the political and legal departments under the provincial-level organs and from the relevant departments of railway and forestry bureaus.

### Poll Taken on Attitudes Toward KMT, DPP

91CM0019A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 185, 30 Sep 90 pp 20-23

[Article by Xu Qingyun (1776 7230 0061): "The Kuomintang Is Not Being Dilligent Enough, the Democratic Progressive Party Also Needs To Improve"]

[Text] The three general elections held near the end of last year resulted in the Kuomintang [KMT] receiving approximately 65 percent of the vote and the Democratic Progressive Party [DPP] receiving approximately 35 percent. In the more than nine months since these elections, the Taiwan political arena has experienced a dispute within the KMT in March, a presidential and vice presidential election, a cabinet reshuffle in May, and a National Assembly in July. In the aftermath of these political activities, is the general public satisfied with the KMT and DPP? If an election were held today, which party's candidates would the electorate cast their secret votes for?

### Some Clear Differences Compared to the General Election

During the compilation of this publication's opinion poll on "Evaluating the Taiwan People's Satisfaction With and Support for the KMT and DPP," the responses to each topic showed, even though the KMT experienced an internal dispute in March, that 50 percent of those surveyed are still "satisfied" with it. Because the DPP has not done anything especially newsworthy, the number of survey participants who expressed "dissatisfaction" with it exceeded 53 percent. One point worth noting is that, although over 50 percent of those surveyed expressed satisfaction with the KMT, only 20 percent of them cast their votes for KMT candidates. Dividing the 1,533 people surveyed by sex showed no major difference in the number who expressed "satisfaction" with the KMT. However, there was a clear difference between the sexes of those that expressed "relative satisfaction" with the KMT, 102 of the males surveyed, or 13 percent, chose this response, while 62 of the females surveyed, or fewer than 10 percent, chose the same response. Furthermore, 177, or 22 percent of females responded to this question with "I don't know" which was three times the percentage of males who responded in this way. More than half of both males and females surveyed expressed "dissatisfaction" with the DPP. The only difference showed up in those who said they were "somewhat dissatisfied" with the actions of the DPP during the first half of the year; 158 males, or 20 percent, and 84 females, or 10 percent, chose this response.

Those expressing "satisfaction" with the KMT were spread fairly evenly throughout the age groups with all groups being close to 50 percent. However, the highest number, 63 percent, who expressed "dissatisfaction" with the KMT, was found in the 18-to-29 year age group. The 50-to-59 year age group had the smallest number "dissatisfied" with the KMT, only 11 percent, but this

age group also had the smallest number who were "satisfied" with the DPP, only 12 percent.

### The Education Level and Nationality Factors

In looking at the differences in education level, the smallest number, 27 percent, who expressed "satisfaction" with the KMT, was found in the illiterate population; the largest number, 62 percent, who expressed "satisfaction" with the KMT, was found in those with a university or higher specialized education. Those surveyed who possessed an elementary school education had the smallest portion, 33 percent, who were "dissatisfied" with the DPP. The largest numbers showing "dissatisfaction" with the DPP were those with a high school or vocational school education and those with a university or higher specialized education, 64 percent and 68 percent, respectively.

Looking at nationality, a higher number of people from the mainland, 63 percent, expressed "satisfaction" with the KMT than did Taiwan nationals, 47 percent. There was an even bigger difference in the number of people from the mainland who gave "dissatisfied" responses concerning the DPP, 70 percent, than did Taiwan nationals, 49 percent.

Based on party registration, 64 percent of those surveyed who are registered with the KMT party showed "satisfaction" with their party. However, three of five people surveyed who were registered with the DPP expressed "some dissatisfaction" with the KMT, while the other two said they had "no opinion" or "did not know." A total of 70 percent of KMT-registered survey participants said they were "dissatisfied" with the DPP, while 50 percent of non-party affiliated participants expressed "dissatisfaction" with the DPP. Among DPP registered participants, one percent was "extremely satisfied," one percent was "fairly satisfied," and one percent was "fairly dissatisfied."

### Votes Are Attracted by a Person's Glamor

"If an election were held now, which candidate would you vote for?" With regard to this question, no matter if a comprehensive analysis or an analysis of individual data was done, both showed that the majority of voters still cast their ballots for "candidates they recognize." No matter whether the survey participants were broken down by the various categories of sex, age, education level, place of birth, or party registration, all the groups showed that nearly 60 percent of their votes were cast based on "candidates they recognize." The DPP-registered voters were no exception, three of five of these voters said that they cast their votes because they "recognized the candidates" and not because they supported the DPP candidates. The same trend showed up with KMT-registered voters, 60 percent said they voted for "candidates they recognize" and 40 percent voted for candidates because they were from the KMT. The voting attitude was quite contrary to this when broken down by nationality background. Among mainland nationality

voters, although 50 percent would still vote for "candidates they recognize," 40 percent said they would vote for candidates because they were from the KMT, but only 10 percent of Taiwan nationals would vote for candidates because they were from the KMT. It seems that there is still a discrepancy in the trust put in the "KMT" signboard between the two nationalities.

Using a computer to cross-analyze responses to the questions, "Are you satisfied with the work done by the ruling KMT during the first half of this year?" and "Are you satisfied with the work of the DPP during the first half of this year?" revealed that a major portion of survey respondents who were "somewhat dissatisfied," 45 percent, or were "quite dissatisfied," 55 percent, with the KMT also had the same feelings about the DPP. It can be stated that these respondents are dissatisfied with both the KMT and DPP.

#### **More Work Awaits the Political Parties and Political Affairs**

Will the 50 percent of respondents who expressed "satisfaction" with the KMT vote along party lines? Cross-analysis shows that only 28 percent of those "satisfied" with the KMT supported candidates because they were from the KMT while 68 percent still voted for "candidates they recognized." However, only 10 percent that responded that they were "satisfied" with the KMT supported candidates from the DPP.

A similar result was found in people surveyed who were "satisfied" with the DPP, with less than twice as many of these respondents willing to vote for DPP candidates as those that might vote for KMT candidates.

The ratios in the answers the survey participants gave to the questions about being satisfied and their voting behavior shows that voting in Taiwan is still not linked closely to party affiliation. This situation should be in step with Taiwan's political parties and political affairs but, in reality, voting is based primarily on the grassroots work done by candidates in their local areas and is rarely based on the political parties. Election results over the years have confirmed that, even though restrictions on political parties have been relaxed, the thinking processes of the electorate has not changed. In the coming years, the voters of Taiwan will continue to cast their votes based on the candidate rather than along party lines.

Recently, Sung Chu-yu [James Soong], secretary general of the KMT, made repeated trips to rural areas to implement grassroots work at the basic level and in hopes of solidifying voter support for the KMT. The above activities have prompted DPP consultants to confidently express to foreigners that the DPP will become the ruling party within three years. However, looking at the current situation, it is evident that there is still some latent support that will give momentum to the KMT and that should stop development of these attempts by the DPP to become the ruling party. The political parties and political affairs will remain an

empty shell if these two political parties rely merely on rural votes and the buying of votes and hope to win elections with their "party" banner. If this is the case, then I'm afraid they will have a long road to travel.

[Box, p. 21]

#### **Evaluation of Satisfaction and Support for the KMT and DPP**

##### **1. Are you satisfied or dissatisfied with the ruling KMT's work during the first part of this year?**

- 1) Very satisfied: 4.8 percent
- 2) Fairly satisfied: 10.7 percent
- 3) Somewhat satisfied: 34.8 percent
- 4) Somewhat dissatisfied: 14.9 percent
- 5) Fairly dissatisfied: 5.8 percent
- 6) Extremely dissatisfied: 2.3 percent
- 7) No opinion: 9.6 percent
- 8) Do not know: 15.8 percent
- 9) Declined to answer: 1.2 percent

##### **2. Are you satisfied or dissatisfied with the work of the DPP during the first half of this year?**

- 1) Very satisfied: 1.1 percent
- 2) Fairly satisfied: 2.6 percent
- 3) Somewhat satisfied: 15.9 percent
- 4) Somewhat dissatisfied: 26.3 percent
- 5) Fairly dissatisfied: 16.3 percent
- 6) Extremely dissatisfied: 10.9 percent
- 7) No opinion: 9.5 percent
- 8) Do not know: 16.1 percent
- 9) Declined to answer: 1.3 percent

##### **3. If an election were held now, which of the following political parties' candidates would you be inclined to vote for?**

- 1) Kuomintang: 20.4 percent
- 2) Democratic Progressive Party: 3.3 percent
- 3) Chinese Democratic Socialist Party: 0.1 percent
- 4) Workers Party: 0 percent
- 5) Labor Party: 0 percent
- 6) Youth Party: 0 percent
- 7) China New Socialist Party: 0.1 percent
- 8) Other parties: 1.2 percent
- 9) Candidates they recognize: 66.4 percent
- 10) No opinion: 1.2 percent
- 11) Do not know: 5.9 percent
- 12) Declined to answer: 1.4 percent

#### **Basic Data**

##### **1. Sex**

- Male: 49.1 percent
- Female: 50.8 percent

##### **2. Age groups**

- 18-29: 32.4 percent
- 30-39: 33.1 percent
- 40-49: 15.9 percent
- 50-59: 9.1 percent
- 60-69: 7.4 percent
- 70 and older: 1.6 percent
- Declined to answer: 0.6 percent

### 3. Education level

Illiterate: 5.9 percent  
Primary school: 19.1 percent  
Public middle school: 17.5 percent  
High school or vocational school: 35.7 percent  
University or higher specialized education: 20.3 percent  
Master's degree: 0.4 percent  
Doctoral degree: 0 percent  
Declined to answer: 1.0 percent

### 4. Place of birth

Born in Taiwan of Fujian descent: 78.0 percent  
Born in Taiwan of Hakka descent: 5.5 percent  
Born in Taiwan of Taiwanese descent: 1.0 percent  
Born outside Taiwan: 15.0 percent  
Declined to answer: 0.5 percent

### 5. Party affiliation

Kuomintang: 18.6 percent  
Democratic Progressive Party: 0.3 percent  
No affiliation: 79.6 percent  
Other parties: 0.4 percent  
Declined to answer: 1.0 percent

## Poll Reveals Attitudes Toward Current Issues

910CM0044A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 185, 30 Sep 90 pp 14-19

[HSIN HSIN WEN opinion poll: "Taiwan's Main Problems at Present—Is Taiwan a Sick Island?"]

[Text] What worries people about Taiwan in the 1990's? To find out what Taiwan's main problems are at various times, this magazine decided to conduct an annual investigation every September by means of questionnaires, to feel the pulse of the population throughout the province, and to arrive at a true picture of Taiwan. Taiwan, of course, maintains remarkable economic health, but are there now indications of sickness? Judging by the symptoms that we found in the present public opinion poll, Taiwan still appears hale and healthy outwardly, but it also appears that Taiwan has actually already fallen sick.

Painting a picture of Taiwan would result in a very strange, variegated configuration with all kinds of oddities, because many people have become aware of the fact that Taiwan is beset with many inherent problems.

### Painting a True Image of Taiwan

Before martial law was lifted, one would customarily have painted Taiwan as a warlord with a military cap and rifle with fixed bayonet in hand. After martial law was lifted, Taiwan's most distinctive symbol would be its gerontocracy. Others may perhaps paint Taiwan as a tribe of people going to work with steel helmets and bulletproof vests, to satirize the deterioration of public

safety on Taiwan. Rough and uncouth as they are, these newly rich have the wealth that Western countries admire and envy in Taiwan, a product that stands in contrast to the debased and maladjusted culture of Taiwan. And, of course, don't forget to paste the ignominious designation "greedy island" to the forehead of your Taiwan picture.

However, are these Taiwan's main problems now? The popularity of the head of state is rising steadily in public opinion polls, but that does not lighten the difficulties that Taiwan is facing. Moreover, the warm applause by the people of Taiwan for their head of state conceals an irregular heartbeat felt throughout the island.

It is for this reason that this magazine, on observing all political, economic, and social trends on Taiwan, and discovering the major problems in present-day Taiwan, decided, on the premise that our efforts will help guard against future adversities, to arrange for a public opinion poll by means of questionnaires on important current issues, to be issued every year at the time of the second session of the Legislative Yuan, that is, in September, to feel the pulse of the entire population of Taiwan and to gain a true picture of present-day Taiwan.

As a doctor will lightly touch the sick part of the body when he examines his patient, and will ask, "Where does it hurt most?" we too, when exploring the present problems, tried to elicit a clear response in our soundings as to whether livelihood has improved or has worsened. Almost half of the population think that there has not been much of a change. Taiwan's economic miracle has become a record in past history, and there has been no improvement in living conditions during the last half year. However, neither has the tide of the third oil crisis yet washed away the secure incomes of the people.

### Successful Entry to Higher Schools, But General Breakdown of Education

However, there are also 25 percent of the population who believe that living conditions have changed for the worse, and only 23 percent of the population believe living conditions have improved. The female population, although daily facing price fluctuations for chief daily necessities, showed a high rate of satisfaction with living conditions; and the younger they were the more satisfied they showed themselves to be with the improvement in living conditions, while the lower their level of schooling, the more they indicated that living conditions had worsened.

If Taiwan is thought of as a sick person, the disfunction of his immune system must be seen in the public security problem. Although the immune system has not yet given out altogether, it is at least showing a red warning light. Over 70 percent of the population are very much concerned about the deterioration of public security. Only 20 percent of those questioned feel at ease and relaxed in that respect. Females are more concerned about public security problem than males, and the younger and the



better educated those questioned were, the more they felt threatened by the deterioration in public security.

If we refer the old saying "it takes a hundred years to nurture a tree," ["tree" is here a symbol for a generation of good people] to educational work, our tree-gardeners should feel much remorse, because almost half the population agreed with the allegation that Taiwan's education during the last half year has been a failure, and that it caused the serious problem in Taiwan's education of "successful entry into higher schools, but a general breakdown in education."

Although the educational problem is a matter of common knowledge, its seriousness is growing almost daily, and the higher the scholastic grade the stronger the feeling of crisis in the breakdown of education. As remedial action for the educational problem, some people have strongly suggested to start out with a reform of the college entrance examination system; others want to tackle the problem from the angle of constitutional budget allocations for teaching materials. Moreover, there are also many who advocate reform in the compilation of teaching materials. However, we are afraid that regaining popular confidence in the educational system and its efficacy has now become a matter of great urgency.

#### **The Conduct of People's Deputies Has People in Despair**

The argument about Chinese culture versus local culture is a thorny and also a hot topic of discussion in literary circles, but the question in a more practical form should be: Has Taiwan its own culture? In actual fact, this is not only a matter of doubt in the minds of foreigners, but a matter of concern for Taiwan's educated.

However, as far as the population of Taiwan is concerned, their confidence seems to have come up victorious in this long-involved argument, as over half of the persons questioned reject the idea that Taiwan has no culture of its own. In this matter, the province of origin did influence the views expressed by those questioned, as more non-Taiwanese than native Taiwanese asserted that Taiwan has no culture of its own, however this influence was not too obvious. Furthermore, more members of the Democratic Progressive Party [DPP] than members of the KMT and nonparty persons asserted the autonomous character of Taiwan's culture.

The pathological record of this sick man that is Taiwan has already for a long time been thickly dotted with educational, public security, and cultural problems, while the justice crisis in the law courts has only recently come to light as the cause of an old sickness. Almost 40 percent of the people questioned believe that there is no justice in the law courts. On this question, party affiliation obviously affects the attitude of the persons questioned. More members of the DPP than members of the KMT agree with the allegation that there is no justice in the law courts.

An even more evident pathological condition of the sick man that is Taiwan is the swelling that obstructs his vocal cords, as he is hopelessly disappointing when he should make his voice loudly heard on behalf of the people and when he is acting as the representative of the will of the people. Almost 60 percent of the persons questioned agree that the representatives of the people's will are only out to make profits for themselves. They do not give expression to the will of the people, and, conversely, only somewhat more than 20 percent of those questioned still have confidence in their deputies. The investigation also revealed that the male population is more dissatisfied with the representatives of the will of the people than is the female population.

Efficacy of the representatives of the will of the people is much deprecated. This has resulted partly from the financial shenanigans in recent years, when these deputies were in the front line of all these machinations, all merely seeking personal profits to the detriment of their public image. Furthermore, collusion of deputies with people at the basic level and with illegal operations is getting more serious by the day, some even having been sent to prison. All this negative news has had the effect of impairing the image of the deputies in the eyes of the people.

#### **People's Support for Good Leadership**

Asking whether the leadership of a country is sound is comparable to questioning whether a person is of sound mind. Generally speaking, Taiwan has confidence in its state leadership. Almost 60 percent would not subscribe to the allegation that Taiwan presently lacks good leadership, only 17 percent of those questioned would support this accusation. Contrary to general expectations, party affiliation did not visibly affect the result of this investigation.

However, on the question whether "highly placed politicians are busily engaged in power struggles and neglect the will of the people," 40 percent agreed with this criticism and only 30 percent disagreed. This is a clear indication that the sick man's nervous system may be healthy, but that his is not a very stable and calm mental state.

Examination of these two questions, whether the state lacks good leadership and whether the politicians are busily engaged in power struggles, allows us to deduce that the people support a condition of good leadership in the state, but may not approve of the power struggle among politicians, while disapproval of the state's leadership is closely connected to a similar disapproval of the power play.

There is, furthermore, a close connection between the question whether the representatives of the will of the people can reflect the will of the people and the question whether politicians engage in power struggle to the neglect of the will of the people. Those who are dissatisfied with the representatives of the people are also to a

large degree dissatisfied with those highly placed politicians who engage in power struggles. Among the persons questioned, those who disagree with the idea that politicians engage in power struggles are also fairly light in their criticism of the role being played by the people's representatives. The "close connection" between these two factors explains that one part of those questioned are dissatisfied with repression of the will of the people, and that there is another group of persons questioned who fervently support the present structure and operations.

It is the general impression that international affairs do not get much attention from the people, but in the present public opinion poll it so happened that somewhat over 60 percent of the persons questioned indicated a concern for international affairs. This is possibly because Taiwan's role in the international community has shown marked changes during the last few years, and that many happy and unhappy events have frequently occurred in the diplomatic field.

#### **Frequent Interchanges, Fading of War Clouds**

War is always a bad dream for mankind. This was particularly true during the 40 years of armed confrontation at the Taiwan Strait. Although frequent interchanges are now taking place between the two sides of the strait, and although it is now possible for Taiwanese businessmen and members of Parliament to engage in dialogue with Li Peng and Jiang Zemin in Beijing, also both sides allow their people to visit each other for funerals and family reunions, and although this seems to indicate that peace is at hand, Communist China has not renounced its slogan of possibly using force against Taiwan, as Taiwan also has not yet renounced its slogan of recapturing the mainland. The military deployment on both sides of the strait has therefore not yet been abolished or reduced because of all the mutual feelers of goodwill.

Similarly, while both sides of the strait show themselves more amicably inclined to each other, 40 percent of the Taiwanese population have still expressed fear that Taiwan may at some future time become involved in war, and 13 percent of them have even indicated "extreme fear." Of course, in the present atmosphere of mutual exchanges, 50 percent of the people have indicated that they have no fear of any possible war. This mentality of unconcern about the possibility of war is in the final analysis a conviction that it would be impossible for Taiwan to wage war in future, so that they turn a deaf ear to the emphatic entreaties of President Li Teng-hui and Defense Minister Chen Lu-an for "not forgetting war." It is also due to their firm confidence in the military prowess of the national Army, so that even if war should break out, there would be nothing to fear, a matter that might be worthwhile to ponder further.

The policy of Mainland China is ambiguous and unclear. Although those in power declare in defense of their position that "ambiguity and lack of clarity is also a policy," it is being evaluated differently by the people.

Almost 30 percent of the people believe one-sidedly that developments between Taiwan and the mainland are moving too fast, only 16 percent believe they are moving too slow, and another 28 percent believe that they are just right, and that they are satisfied with the present progress. Among these, it is the females who believe developments are too fast, and it is the males who are dissatisfied with developments progressing too slowly.

#### **Emigration for Fear of Worsening Public Safety**

Because of the dark cloud of the 1997 important deadline, the old saying is now often heard in Hong Kong: "The rich and mighty cannot be dissuaded from emigrating, and the poor and lowly cannot emigrate." This means that people with money need not fear the communist takeover, because they can emigrate at any time, while people without money have no way at all to emigrate. Because of problems with the investment climate, with public security, and the problematic situation between the two sides of the strait, there has also recently surfaced on Taiwan an evident tendency to emigrate, and the present poll discovered that 6.7 percent of the population would "definitely emigrate," if conditions would permit. This rate may not be too high, compared with figures in Hong Kong and other such territories, but compared with other countries with stable conditions, it is extremely high. The majority of those in favor of emigration are females and persons with good academic credentials, and among those questioned the inclination to emigrate is more prevalent among non-native Taiwanese than among native Taiwanese.

On analysis, the motivation to emigrate is not closely linked to the question whether a person fears Taiwan's involvement in a future war, but is rather connected to the problem of the deteriorating public security. Those who are very determined to emigrate believe more than any other group that the state of public security is very serious.

Even a rich man may not be able to afford to fall sick. Although Taiwan's economic strength is considerable, it cannot afford to fall sick. An annual health checkup may allow us perhaps to nip any evil symptom in the bud. For instance, the various symptoms that we found out in the present public opinion poll make it possible for us to recognize that although Taiwan appears outwardly to be hale and healthy, it has actually already started to fall sick.

[Box, p. 18]

#### **Questionnaire on Important Problems Presently Existing on Taiwan**

Unit: Percent

Valid questionnaires returned: 1,533

Duration of investigation: 13-18 September 1990

**1. Has your livelihood changed for the better or for the worse in the last six months?**

- 1) Much better: 4.4
- 2) Somewhat better: 18.9
- 3) Somewhat worse: 15.4
- 4) Much worse: 9.3
- 5) Unchanged, about the same: 50.9
- 6) No opinion: 0.4
- 7) Do not know: 0.7
- 8) Declined to answer: 0

**2. Do you consider the public security problem now very serious?**

- 1) Extremely serious: 29.2
- 2) Rather serious: 20.4
- 3) Somewhat serious: 23.7
- 4) Not serious: 20.0
- 5) No opinion: 3.1
- 6) Do not know: 3.3
- 7) Declined to answer: 0.2

**3. Some believe "Taiwan's education is a failure." Do you agree with this view?**

- 1) Absolutely agree: 13.0
- 2) Agree to some extent: 13.2
- 3) Agree somewhat: 23.7
- 4) Disagree somewhat: 21.6
- 5) Disagree to some extent: 9.6
- 6) Absolutely disagree: 3.0
- 7) No opinion: 7.0
- 8) Do not know: 8.7
- 9) Declined to answer: 0.2

**4. Some believe "Taiwan has no culture of its own." Do you agree with this view?**

- 1) Absolutely agree: 4.9
- 2) Agree to some extent: 7.4
- 3) Agree somewhat: 10.4
- 4) Disagree somewhat: 24.7
- 5) Disagree to some extent: 23.4
- 6) Absolutely disagree: 8.7
- 7) No opinion: 5.7
- 8) Do not know: 14.4
- 9) Declined to answer: 0.3

**5. Some believe "there is no justice in the law courts." Do you agree with this view?**

- 1) Absolutely agree: 9.7
- 2) Agree to some extent: 10.5
- 3) Agree somewhat: 20.5
- 4) Disagree somewhat: 12.7
- 5) Disagree to some extent: 7.0
- 6) Absolutely disagree: 3.6
- 7) No opinion: 9.7
- 8) Do not know: 25.6
- 9) Declined to answer: 0.7

**6. Some believe "the representatives of the will of the people are seeking only their own profits and do not reflect the will of the people." Do you agree with this view?**

- 1) Absolutely agree: 13.2
- 2) Agree to some extent: 16.1
- 3) Agree somewhat: 29.7
- 4) Disagree somewhat: 16.6

- 5) Disagree to some extent: 4.7
- 6) Absolutely disagree: 1.9
- 7) No opinion: 5.6
- 8) Do not know: 11.9
- 9) Declined to answer: 0.3

**7. Some believe "our country presently lacks good leadership." Do you agree with this view?**

- 1) Absolutely agree: 3.1
- 2) Agree to some extent: 5.3
- 3) Agree somewhat: 9.5
- 4) Disagree somewhat: 26.8
- 5) Disagree to some extent: 21.8
- 6) Absolutely disagree: 10.3
- 7) No opinion: 8.6
- 8) Do not know: 14.0
- 9) Declined to answer: 0.6

**8. Some believe "highly placed politicians are busily engaged in power struggles while neglecting the will of the people." Do you agree with this view?**

- 1) Absolutely agree: 8.0
- 2) Agree to some extent: 11.2
- 3) Agree somewhat: 21.5
- 4) Disagree somewhat: 15.5
- 5) Disagree to some extent: 11.0
- 6) Absolutely disagree: 3.5
- 7) No opinion: 9.4
- 8) Do not know: 19.2
- 9) Declined to answer: 0.8

**9. Do you think that people in general are interested in international affairs?**

- 1) Extremely interested: 12.9
- 2) To some extent interested: 27.4
- 3) Somewhat interested: 26.6
- 4) Somewhat disinterested: 13.8
- 5) Disinterested to some extent: 5.9
- 6) Extremely disinterested: 2.3
- 7) No opinion: 2.4
- 8) Do not know: 8.4
- 9) Declined to answer: 0.3

**10. Are you afraid Taiwan will become involved in war?**

- 1) Extremely afraid: 13.4
- 2) To some extent afraid: 8.9
- 3) Somewhat afraid: 16.3
- 4) Not afraid: 51.7
- 5) No opinion: 2.6
- 6) Do not know: 6.3
- 7) Declined to answer: 0.5

**11. In your opinion, has the development of relations between Taiwan and the mainland been too fast or too slow?**

- 1) Too fast: 17.7
- 2) Somewhat fast: 11.9
- 3) Somewhat slow: 5.9
- 4) Too slow: 10.1
- 5) Just right: 28.6
- 6) No opinion: 6.7

- 7) Do not know: 18.0
- 8) Declined to answer: 1.1

**12. If you had the means and the opportunity, would you emigrate?**

- 1) Would definitely emigrate: 6.7
- 2) Would consider and possibly emigrate: 15.3
- 3) Would consider but not very likely emigrate: 9.1
- 4) Would definitely not emigrate: 64.6
- 5) No opinion: 1.4
- 6) Do not know: 2.5
- 7) Declined to answer: 0.3

**13. Are you satisfied with the governance of the KMT during the first half of this year?**

- 1) Extremely satisfied: 4.8
- 2) To some extent satisfied: 10.7
- 3) Somewhat satisfied: 34.8
- 4) Somewhat dissatisfied: 14.9
- 5) To some extent dissatisfied: 5.8
- 6) Extremely dissatisfied: 2.3
- 7) No opinion: 9.6
- 8) Do not know: 15.8
- 9) Declined to answer: 1.2

**14. Are you satisfied with the "checks and balances" by the DPP during the first half of this year?**

- 1) Extremely satisfied: 1.1
- 2) To some extent satisfied: 2.6
- 3) Somewhat satisfied: 15.9
- 4) Somewhat dissatisfied: 26.3
- 5) To some extent dissatisfied: 16.3
- 6) Extremely dissatisfied: 10.9
- 7) No opinion: 9.5
- 8) Do not know: 16.1
- 9) Declined to answer: 1.3

**15. If there would now be any kind of an election with candidates from the following parties, for which party's candidate would you be inclined to vote? (To select, mark against the number read out by the person questioning.)**

- 1) Kuomintang: 20.4
- 2) Democratic Progressive Party: 3.3
- 3) Chinese Democratic Socialist Party: 0.1
- 4) Workers Party: 0
- 5) Labor Party: 0
- 6) Youth Party: 0
- 7) Democratic Socialist Party: 0.1
- 8) Other political parties: 1.2
- 9) Depends on the candidate: 66.4
- 10) No opinion: 1.2
- 11) Do not know: 5.9
- 12) Declined to answer: 1.4

**Basic Data**

**1. Sex**

- 1) Male: 49.1    2) Female: 50.8

**2. Age groups**

- 1) 18-29: 32.4
- 2) 30-39: 33.1
- 3) 40-49: 15.9

- 4) 50-59: 9.1
- 5) 60-69: 7.4
- 6) 70 and older: 1.6
- 7) Declined to answer: 0.6

**3. Education level**

- 1) Illiterate: 5.9
- 2) Primary school: 19.1
- 3) Public middle school: 17.5
- 4) High school or vocational school: 35.7
- 5) University or specialized higher education: 20.3
- 6) Master's degree: 0.4
- 7) Doctoral degree: 0
- 8) Declined to answer: 1.0

**4. Place of birth**

- 1) Born in Taiwan of Fujian descent: 78.0
- 2) Born in Taiwan of Hakka descent: 5.5
- 3) Born in Taiwan of Taiwanese descent: 1.0
- 4) Born outside Taiwan: 15.0
- 5) Declined to answer: 0.5

**5. Party affiliation**

- 1) Kuomintang: 18.6
- 2) Democratic Progressive Party: 0.3
- 3) No party affiliation: 79.6
- 4) Other parties: 0.4
- 5) Declined to answer: 1.0

**Liu Hsiu-yi Discusses Resolution on Sovereignty**

*91CM0058A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 250, 1 Nov 90 pp 68-69*

[Interview with Lu Hsiu-yi (4151 0208 0001), Legislative Yuan member from the Democratic Progressive Party, by CHIUSHIH NIENTAI reporter Lin Su (2651 1835): "Chinese Communist Response a Foregone Conclusion"; place, date not given]

[Text] [Lin Su] The "de facto sovereignty" clause was finally adopted in the form of a resolution. How do you read it?

[Lu Hsiu-yi] Let us begin by noting the several important differences between the final resolution of 7 October and the draft first put forward by Yao Chia-wen [1202 0857 2429]. First of all, in place of the original "sovereignty," we substituted "de facto sovereignty does not extend to the Chinese mainland and Outer Mongolia." Second, we used a geographical name, "Chinese mainland," to replace the original national title, "PRC," in order to sidestep a sensitive matter. With these changes, we are prepared for battle and will call for unity should the KMT [Kuomintang] take a "get-tough" attitude. The entire resolution is an echo of the 17 April resolution two years ago.

As to whether the New Tide faction is satisfied with the resolution, let me say this. Because the spirit of the entire resolution is consistent with what the group called for at

the beginning, it did not insist on any particular language. The fact of the matter is that this is an opportunity for the New Tide faction to take a position, particularly when relations between the two sides of the strait are still uncertain even as contacts are increasing and the Asian Games fever is pervasive.

[Lin Su] Before the resolution was adopted, were there really people in the DPP [Democratic Progressive Party] who felt pressures from the KMT and had a sense of crisis?

#### **A Precursor of Meilidao Incident II?**

[Lu Hsiu-yi] Some people did not feel pressured. Some did. This is because KMT members like Hung Yu-chin [3163 3768 2953] and Sung Chu-yu [1345 2806 3842] had spoken out. This is totally a matter of judgment. People like Chang Chin-hung [1728 0193 1347], Hsu Hsin-liang [6079 0207 5328], and Huang Hsin-chieh [7806 0207 0094], for instance, did not take the KMT's words as an empty threat; they thought the KMT might take action. Hsu Hsin-liang went so far as to say that this might be the "precursor of Meilidao Incident II."

Most people in the New Tide faction, however, do not believe the KMT will take action over this proposal at this time. Even if it does make a move, it will only warn or dissolve the party. As long as the consciousness of the party as a whole does not disappear, it will be reorganized sometime in the future. Personally, I am more inclined toward the latter point of view. In any case, it is precisely the pressures from the KMT that gave a rallying point to the discussion. When the resolution was adopted, everybody stood up and clapped their hands as a show of strength to the KMT.

As a matter of fact, the DPP does not fear dissolution. It was the desire to avoid social unrest and a sharp confrontation between the government and the public and to prevent things from getting out of hand that prompted the DPP to amend the article as appropriate. Contrary to what some people say, the article was not intended to poison relations between the government and the public.

#### **Government-Public Communication Essential**

[Lin Su] Before the meeting, party leaders Huang Hsin-chieh and Chang Chin-hong met secretly with Sung Chu-yu. What do you think about that?

[Lu Hsiu-yi] When the issue is important, it is imperative that the government and the public communicate with each other through all sorts of channels and in all kinds of ways. We cannot call this kind of communication a surrender, a sellout, or accepting amnesty and serving the ruler. Besides, communication is a way to gain access to information and understand the actions and thinking of the other side. After all, absolutely no party can afford to act willfully in Taiwan's social climate today. As for what to do legally afterward or what things to consider politically, that is a decision each side must make for itself.

[Lin Su] The original resolution was not adopted because of a variety of considerations. What about next time?

[Lu Hsiu-yi] Let me put it this way. As far as the DPP is concerned, it does not have a coherent policy that says we will move in stages, first introducing the "17 April resolution," then coming up with the "de facto sovereignty" clause, and then declaring Taiwan independence. There is no set policy at present. Within the party, there are indeed some individuals, such as members of the New Tide faction and some people who advocate Taiwan independence, who have thought about this matter more systematically and hope to keep the spotlight on it. Others take a more politically pragmatic approach. They believe in making the party more powerful. When the party gains power, it can do whatever it wants. No need to talk at length about this sensitive matter and stir up unwarranted confrontation.

Precisely because there is no set policy, it is hard to say at present what will happen in the days ahead.

#### **People Support Taiwan Independence in Growing Numbers**

[Lin Su] In your opinion, how will the Chinese Communists react to the resolution? What would be its impact particularly at a time when the relations between the two sides are at a low point?

[Lu Hsiu-yi] Let us look at it from three perspectives. The CPC has always been like this. In the past, no matter what resolutions we adopted or what moves we made, the CPC invariably criticized the Taiwan Government for tolerating the Taiwan independence movement and branded Li Teng-hui a Taiwan-independence element. Because of its irresponsible name-calling, its reaction is predictable. We never pay it any attention.

For the KMT, it is a mere position, a declaration, a presentation of facts. Taiwan's political climate will not change because of it. So the KMT is not going to modify its policy toward the mainland because of it. As for the DPP, so far it is not powerful enough to influence the formulation of the KMT's mainland policy. So it too will not disrupt the political climate.

Should Taiwan really become independent? This is a substantive matter. Right now it seems that all opinion polls—and it is true that we all have many criticisms of them—point in one direction, and that is proportionally more people are supporting it.

[Lin Su] Talking about polls, what is your opinion of the public opinion poll conducted recently by the Gallup Organization from the United States on the attitudes of the Taiwan people toward Taiwan independence?

[Lu Hsiu-yi] Frankly, we believe there are more Taiwan independence supporters than those in the poll. The survey was a bit crude in its methods, sampling only a little over 1,000 people, so its accuracy was questionable. Moreover, the people of Taiwan are still somewhat



resistant to public opinion polling, so it is not as representative as surveys in the United States. We can use it merely for reference purposes. In any case, it demonstrates one fact: More and more people now have the courage to support Taiwan independence openly.

Furthermore, many people misinterpret the theory of Taiwan independence. Ask the same person "whether he accepts CPC rule" and "whether he advocates Taiwan independence," and you may get some intriguing answers. Fearful that independence may lead to military threats from the CPC and profound change, the person may come out against Taiwan independence. But if it is phrased in terms of maintaining the status quo and resisting unification with or incorporation into Communist China, I believe the proportion of people who say yes will be very high. To the CPC, this is independent Taiwan, which has more support in Taiwan society than Taiwan independence. But what is independent Taiwan? What is Taiwan independence? There are many interpretations and so far we have not agreed on a common definition. If a consensus is reached in the future, the issue will be much simplified.

#### **Remote Possibility of Chinese Communists Using Force**

[Lin Su] Not long ago Professor Lu Ya-li [0712 0068 050] of the University of Taiwan published an article in the press in which he said that "people who persist in Taiwan independence are unwilling to examine the practical consequences of their viewpoint and position." What do you think?

[Lu Hsiu-yi] If he was referring to the CPC's response, our position has always been that there is only the slightest chance that the Chinese Communists will use direct military action to deal with Taiwan. It is not a question of whether it can or cannot. Instead it has to do with the entire international environment and the fact that the two sides are separated by a strait. Most important, everything depends on how Taiwan itself will react when it is confronted with military threat from the CPC. If everybody runs away and surrenders, then military action by the CPC will certainly work. But if there is a heightened sense of common purpose within Taiwan, if the centripetal force gets stronger and stronger, no military action by the CPC will be any use.

**Stock Exchange To List 'Shanghai Fund'**

*OW1011035090 Beijing XINHUA in English  
0217 GMT 10 Nov 90*

[Text] Hong Kong, November 10 (XINHUA)—Indosuez Asia Investment Services Limited of Hong Kong intends to launch the first international fund designed to invest in shares in China.

Named "The Shanghai Fund," it is expected to be listed on the Stock Exchange of Hong Kong Limited in early December. The fund may make application to list its shares in London in early 1991.

It is estimated that its circulation amount will be 20 million U.S. dollars.

The Shanghai Fund will have a life of ten years. Its ultimate aim is to invest in the Chinese mainland, Taiwan and Hong Kong. Up to 50 percent of the investment (in value) will be invested in listed shares on the mainland and up to 50 percent in the Hong Kong and Taipei stock markets.

The fund will also invest in Chinese-foreign joint ventures.

It is learned that there are five planned stock exchanges in China including those in Shanghai and Shenzhen, and 15 listed stocks.

A number of companies on the mainland are planning to list their shares next year in the Shanghai Stock Exchange which is expected to open soon. More than 100 companies in Guangdong Province have already applied to list their shares in Shenzhen.

The Shanghai Investment and Trust Corporation will be adviser to the Shanghai Fund and will assist Indosuez Asia Investment Services Ltd. in selecting investments in Shanghai including listed shares and unlisted joint venture companies.

Indosuez Asia Investment Services Ltd. was established in 1982 in Hong Kong to meet the needs of its regional clients and to provide specialized investment advice on the Asia Pacific stock markets.

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